

Why Saputo Inc. Roared 5.7% Higher on Friday

Description

What happened?

Saputo Inc. ([TSX:SAP](#)), Canada's largest dairy processor, rallied 5.7% on Friday following its announcement late Thursday that it had entered an agreement to acquire the business of Australian-based Murray Goulburn Co-Operative Co. Limited (MG) for \$1.29 billion.

So what?

MG is a producer of high-quality dairy products, such as drinking milk, milk powder, cheese, butter, and dairy beverages, as well as a wide range of ingredients and nutritional products, such as infant formula. Its family of brands includes Devondale, Liddells, Table Cove, and Murray Goulburn Ingredients, and it has about 2,300 employees and 11 manufacturing facilities in Australia and China.

In its 12-month period ended on June 30, 2017, MG reported revenues of approximately \$2.5 billion, so Saputo is only paying 0.516 times sales for the company, which I think is a great deal.

Now what?

Saputo is one of the 10 largest dairy processors in the world, and it already has operations in Australia, so I think this acquisition makes perfect sense. The transaction is expected to close in the first half of the calendar year 2018, and I think it will provide an immediate bump to both sales and profitability for Saputo.

Saputo's stock is now up more than 10% since I [last recommended it](#) earlier this month, and it's up more than 9% since [I recommended it](#) on August 2. I think it represents an even more attractive investment opportunity today. All Foolish investors should take a closer look and strongly consider initiating positions in Saputo today with the intention of adding to those positions on any pullback in the weeks ahead.

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