



Why MTY Food Group Inc. Fell 4.71% on Tuesday

Description

What?

Restaurant franchisor and operator **MTY Food Group Inc.** ([TSX:MTY](#)) watched its stock fall 4.71% on Tuesday following its announcement that it would be acquiring all of the outstanding shares of **Invescor Restaurant Group Inc.** (TSX:IRG) for \$4.10 per share.

So what?

MTY will be spending approximately \$248 million on the transaction, subject to closing conditions and shareholder approvals, 20% of which will be in cash and 80% of which will be in MTY common shares.

The combination of MTY and Invescor will create a company with a portfolio of over 5,700 stores under 75 brands and approximately \$2.9 billion in sales with “significant runway for growth,” as well as EBITDA in the range of \$125-130 million, including cost synergies.

Invescor also has extensive experience in the retail space, which MTY expects to “produce great opportunities in the future,” since numerous products under MTY’s banners would like sell very well in grocery stores.

Now what?

MTY stated that it would issue approximately 3.8 million shares based on a reference price of \$52.26 per share to complete the transaction, and that it expects the transaction to close in the first half of calendar year 2018, immediately be accretive to its cash flow and EBITDA, and be accretive to its earnings as cost synergies are realized.

I think this transaction makes perfect sense for MTY, because it dramatically increases its number of casual dining brands, including Pizza Delight, Toujours Mikes, Scores, and Ben & Florentine, and this should be a welcomed move by investors since malls and the food courts that many of MTY’s brands operate within have continued [to face pressure](#) from online competitors, most notably **Amazon**.

MTY’s stock has soared more than 45% since I first recommended it on [July 16, 2015](#), and it has

returned more than 50% when including reinvested dividends. I think the stock is still a strong buy today, so take a closer look and consider adding it to your portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MTY (MTY Food Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/09/08

Date Created

2017/12/13

Author

jsolitro

default watermark

default watermark