



3 Reasons to Own This Tasty Dividend Growth Stock

Description

Do I hear \$200?

Premium Brands Holdings Corp. ([NYSE:PBH](#)) hit an all-time high of \$121.15 April 13 before retreating a couple of dollars into the teens. The Vancouver-based serial acquirer of food companies has been on a tear this year, 20 percentage points ahead of the TSX on a relative basis with no end in sight as to how high its share price can go.

I've been a big fan of Premium Brands for a while now, but if you're new to the dividend growth stock, here are three reasons why you want to own it.

The TSX is awful

It literally is one of the worst performing major stock exchange in the developed world. According to Yardeni Research, Canada's stocks are down 5.9% in local currency year to date through April 12. Only Switzerland (-6.3%) and Ireland (-7.9%) have done worse so far in 2018.

Not everyone is negative about the TSX, however.

Fiera Capital Corp. ([TSX:FSZ](#)) portfolio manager Candice Bangsund believes that the **S&P/TSX Composite Index** is going to hit 17,300 by the end of the year, a 13% gain from where it sits today. For those who own the **iShares S&P/TSX Capped Composite Fund** ([TSX:XIC](#)) I hope she's right.

If she's on the money, I'm confident that Premium Brands will have something to do with the miraculous turnaround. If she's wrong, this is one stock investors can own to actually make money from Canadian stocks.

Another acquisition

As I mentioned in the opening, Premium Brands is a serial acquirer. Last August, in my article about PBH stock possibly reaching [\\$200 a share](#) by June 2019, I mentioned that the company had made 40 acquisitions since 2005.

Well, it made another one April 13, announcing the acquisition of Oberto Brands, a family-owned maker of beef jerky based in Kent, Washington. Although terms weren't released, *The Financial Post* reported that the company is spending \$237 million to buy Oberto and up its ownership position in Vancouver-based McLean Meats Inc.

The exact number doesn't matter because the company rarely has to overpay for its acquisitions because the sellers want to be a part of Premium Brands, much like businesses that sell to Warren Buffett.

"Premium Brands has a sterling track record of nurturing and growing family-owned businesses with their extensive meat expertise, capital investment philosophy, procurement and distribution platforms and an operating model focused on supporting and developing each operating business unit," stated Tom Hernquist, Oberto's CEO.

The company finds itself in an enviable position.

Growing dividend

When Premium Brands released its Q4 2017 earnings March 15, which were excellent, it also announced that it was upping the quarterly dividend by 13% to \$0.475 or \$1.90 annually.

Sure, that only works out to a dividend yield of 1.6%, but it's the growth that counts, not the yield. In 2017, it generated \$131.3 million in free cash flow, 8% higher than a year earlier. Free cash flow is how companies are able to pay out higher dividends each year. Since 2013, the company's increased the dividend every year from \$1.23 to \$1.90 today, an average of 11% per year.

With PBH stock you get growth and dividends — a powerful combination. It's why I believe it's one of the five [best TSX stocks](#) to own for the long haul.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:FSZ (Fiera Capital Corporation)
2. TSX:PBH (Premium Brands Holdings Corporation)
3. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise

4. Yahoo CA

Category

1. Investing

Date

2025/07/19

Date Created

2018/04/16

Author

washworth

default watermark

default watermark