



A Terrific Stock to Have on Your Watch List

Description

The easiest way to tell if a company is a good one is by looking at its long-term price chart. **MTY Food Group Inc.** ([TSX:MTY](#)) has delivered tremendous value to its long-term shareholders.

An investment made 11 years ago, in 2007, before the last recession occurred, would have delivered an annualized return of +16%. This is above average, as the average market returns is 10%.



What does MTY do?

MTY franchises and operates quick-service restaurants primarily in North America. It has a track record of successful acquisitions and integrations. In the last 15 years, it has acquired and integrated more than 50 brands.

You'll probably recognize some of its brands, which are often found in the food courts of malls. Its brands include but are not limited to Country Style, Croissant Plus, Extreme Pita, Jugo Juice, Koryo, Koya, Manchu WOK, etc.

At the end of the last reported quarter, MTY's network had 5,422 locations, of which 79 were corporate owned and 5,343 were franchised. About 46% of the locations are in the United States, 45% are in

Canada, and 9% are abroad. So, a strong U.S. dollar against the Canadian dollar will be helpful to the company's bottom line.

In the last reported quarter, MTY's Canadian operations contributed 68% of its earnings before interest, taxes, depreciation, and amortization (EBITDA), while its U.S. and international operations contributed 32% (an increase of 3% compared to the prior year).

Senior management changes

Earlier this month, MTY announced that its founder and CEO of nearly 40 years, Mr. Stanley Ma, will step down from the role of CEO on November 2. However, he'll continue to be the chairman of the board.

Additionally, Mrs. Claude St-Pierre, who is the chief operating officer, will also step down on November 2 to focus on the company's acquisition strategy. She will remain as the company's director and secretary.

Changes in management will increase uncertainty. However, it should be a smooth transition because Mr. Eric Lefebvre, who has been with the company since 2009 and is currently MTY's CFO, will take the helm as CEO in November. Lefebvre will put together a team of executives to fill St-Pierre's duties and name a new CFO.

Recent results

In the last reported quarter, MTY's system sales increased 4% to \$542.5 million, and the same-store sales increased 0.7%. MTY's EBITDA increased 22% to \$19.9 million for the quarter.

Investor takeaway

MTY is [a quality business](#) that has high margins and typically generates double-digit returns on its assets and investments. The analysts from **Thomson Reuters Corp.** has a 12-month mean target of \$55.70 per share on the stock, which indicates the stock has +10% upside potential in the near term.

Investors looking for a bigger [margin of safety](#) should wait for a lower entry point, but if you're looking for a quality business at a fair price, you can start scaling in here.

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