



This Frozen Fish Stock Will Heat Up Your Portfolio

Description

One of the things that impresses me is when a market leader decides to reinvent themselves, innovate, and change things to stay ahead of evolving consumer tastes. This creates a [unique opportunity](#) for investment gains. Unfortunately, most investors fail to recognize the signs of that transformation before it's too late.

High Liner Foods Inc. ([TSX:HLF](#)) is one such company that's worthy of a closer look.

Most people recognize the High Liner brand of seafood, but few realize just how much of a presence the company has on the frozen seafood market and how many iconic brands and channels the company has under its belt, including High Liner, Fisher Boy, Mirabel, Sea Cuisine and the C. Worthy & Co. labels.

In addition to the brands outlined above, High Liner also provides unbranded and custom branded seafood for grocery and bulk-club stores, as well as serving as a major distributor to restaurants and other institutions under the FPI, High Liner, and Icelandic Seafood brands.

That's not to say that impressive brand portfolio isn't going to continue to grow, however. Last spring, High Liner bought shrimp importer and distributor Rubicon Resources in a US\$107 million deal. The acquisition was aimed at providing a sales and earnings boost to High Liner, while also diversifying the company's portfolio into the expanding segment of frozen shrimp.

Quarterly results

High Liner reported results for the first fiscal quarter of 2018 earlier this month. During that quarter, the company realized sales of US\$319.2 million, representing an increase of US\$43.5 million over the US\$276.7 million reported in the same quarter last year. Adjusted EBITDA came in at US\$24.2 million, bettering the same period last year by US\$1.9 million.

Gross profit for the quarter saw an uptick of US\$5.1 million over the same quarter last year, coming in at US\$60.6 million.

High Liner noted that the impact of the Rubicon deal was already evident in the most recent financial results. The deal helped increase sales by US\$42.1 million, and gross profit by US\$5.0 million.

Looking forward to the remainder of the year, High Liner stressed that the focus will be on simplifying the business, reducing costs, and becoming more efficient.

What about dividends?

If there's one positive from the recent pullback in prices, it would be that it makes the dividend look much more attractive. High Liner offers investors a monthly payout, which currently pays out a very attractive 5.40% yield.

The combination of a monthly payout as well as a high yield makes High Liner particularly attractive for the long-term investor who's looking to grow their nest egg through an income-producing stock.

High Liner hasn't been coy on increasing that dividend either – the company can proudly attest to providing an annual or better hike to the dividend each year over the course of the past decade, and there's little reason to doubt that trend is going to end anytime soon.

Bottom line – why High Liner is a good catch

High Liner is a great long-term play for both income and growth-seeking investors for the following three reasons.

First, the commanding market share that High Liner enjoys hasn't led to the company sitting on its laurels; it is actively pursuing new product lines, and as per the recent quarterly results, the company is focusing on becoming more streamlined and efficient.

Second, the recent pullback in price has exposed High Liner as the [incredible dividend investment](#) that the company really is, which I've mentioned before. When you once again factor in that market position as well as the niche in which the company operates, it becomes a compelling growth opportunity.

Finally, there's the High Liner's acquisition of Rubicon Resources, a U.S.-based shrimp importer and distributor. Rubicon's inclusion in the recent quarterly results contributed to a jump in sales, and as the company moves to increase efficiency in 2018, margins and, by extension, revenue is likely to increase as well.

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