



## 2 Tasty Food Stocks to Buy and Hold

### Description

Eating delicious food is a pleasure in itself, but what could be even more satisfying is making money by investing in companies related to the food sector. **MTY Food Group Inc.** ([TSX:MTY](#)) and **Premium Brands Holdings Corp.** ([TSX:PBH](#)) are two stocks in the food sector that have done quite well in the past and should keep doing well in the coming years.

#### MTY Food Group Inc.

MTY Food Group is a franchisor and operator of quick-service restaurants operating under more than 70 brand names, such as Tiki-Ming, Thai Express, Sushi Shop, and Cultures.

MTY operates in the restaurant industry, which is cyclical. That means this company can be impacted when the economy is slowing, because people will want to save money by eating more at home. But since MTY operates quick-service restaurants that are located mostly in shopping malls, it is less impacted than full-service restaurants. The diversity of food offered by MTY also helps to attract customers.

At the end of its first quarter, which ended on February 28, MTY had 5,422 locations in operation, of which 79 were corporate and 5,343 were franchised. The geographical split remained constant with 46% locations in the United States, 45% in Canada, and 9% in other countries.

Always looking to expand, in March MTY acquired Grabbagreen, an operator of 26 franchised and one corporately operated restaurant, and [Invescor](#) Restaurant Group Inc., which owned Pizza Delight, Mikes, Scores, and Baton Rouge.

MTY looks undervalued relative to its future growth. Indeed, while earnings are expected to grow at a strong rate of 22% per year on average over the next five years, the franchisor's P/E-to-growth (PEG) ratio is only 0.83. Its trailing P/E of 11.2 is also much lower than the industry's P/E of 19.2.

Moreover, MTY has a strong return on equity (ROE) of 27%.

The restaurants operator pays a quarterly dividend of \$0.15 per share for a yield of 1.1%.

The stock has a 10-year compound annual growth rate of return (CAGR) near 20%.

### **Premium Brands Holdings Corp.**

Premium Brands Holdings is a specialty food company based in Vancouver. This company operates in the packaged foods industry, which is defensive. People eat deli meat and sandwiches whether the economy is growing or not, so this stock is performing well, even during bad times.

Premium Brands is [growing through acquisitions](#). Over the last 12 years, the food company made over 40 deals, focusing on regional food businesses. Premium Brands is still hungry for acquisitions: it has made four deals in March and bought U.S. sausage specialist Oberto Meat Snacks last month.

Growth this year is expected to come from cost savings and sales growth generated by acquisitions made in recent years; a new sandwich production facility in Phoenix was completed last year, and a meat-cutting and distribution facility in Toronto will be completed later this year will also help to drive growth.

The company has a long-term objective to generate a compound annual return of 15% by investing in stable, well-run specialty food businesses with solid growth opportunities and attractive risk profiles. The company's objective has been exceeded during the past years, since the stock shows a 10-year CAGR of 26%.

With an earnings-growth rate estimated for the next five years of 24% per year on average, the stock should continue to show strong returns. Moreover, the ROE of Premium Brands is very good at 17%. The food company also pays a quarterly dividend of \$0.435 per share for a yield of 1.1%.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:MTY (MTY Food Group)
2. TSX:PBH (Premium Brands Holdings Corporation)

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