Buy This Tasty Stock for Thanksgiving

Description

Thanksgiving is this coming Monday — a time for Canadians to give thanks for our beautiful country.

As stocks go this time of year, you couldn't ask for a more appropriate buy than **Premium Brand Holdings** (TSX:PBH), one of North America's rising stars in the specialty food business.

I've been a fan of PBH for a long time. It's one of my five picks for best stocks on the TSX.

I continue to believe its growth runway is limited only by the number of acquisitions it can make that fit into CEO George Paleologou's vision of what makes a great addition to the Premium Brands family.

Earlier this year, PBH stock hit an all-time high of $122.77, putting the company's shareholders in a giddy mood heading into the summer. That mood wouldn't last, as it's proceeded to fall back into the low $90s — a level it hasn't seen for 13 months.

It's facing some headwinds

Financially, Premium Brands is doing just fine. In its most recent quarterly report, it grew revenues by 32% year over year to $762 million with organic growth of almost 7% (the rest through acquisitions), while its adjusted EBITDA rose 35% to $74 million.

Unfortunately, the adjusted EBITDA number was $5 million lower than analysts were expecting, knocking its stock from its perch well above $100.

"While Q2/18 experienced some headwinds, including a challenging seafood supply chain, and a deceleration in sales growth from Western Canada, Premium Brands was able to offset these challenges with recent acquisition activity," **Canaccord Genuity** analyst Derek Dley wrote in mid-August. "As a result, the company modestly increased its 2018 annual guidance. Sales are now expected to amount to $3,010-3,070 million, ahead of previous guidance of $2,980-3,060 million."

Interestingly, while Dley believes the company is going to grow both the top line and bottom line in 2019, he lowered his 12-month target price by $10 to $110, suggesting almost 20% upside over the next year.

I'd take that every day of the week and twice on Sundays.

Its business continues to change

Of course, with an acquisitive company like Premium Brands — it's made more than 53 acquisitions over the past 13 years, investing more than $800 million in capital — guidance could very well change over the next few months.

The important thing is that it continues to find new segments of the food industry to apply its business model.

The company used to almost exclusively be a meat business. Now it generates 23% of its revenue from its sandwiches platform, another 10% from seafood, and 3% of baked goods.

It's not only diversifying the segments it operates in, but it's also making big strides south of the border, where its sales in 2017 were $662 million or 30% of its overall revenue. A few years ago, it had very little revenue from the U.S.

Below $90, it's a buy

Fool contributor Demetris Afxentiou recommended in late August that investors consider PBH stock, as its pullback provided a good buying opportunity. I'd recommended it a few days earlier.

We both feel it's too good a company for investors to pass on its discounted share price. Since then, it's dropped another 5% and could be headed into the $80s.

Premium Brands's growth story is nowhere near finished, which makes such a move a good thing for investors who haven't yet bought shares in Canada's best food company.

Happy Turkey Day!

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Date
2025/08/24
Date Created
2018/10/06
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