



## This Diversified Food Company Is a Discounted Buy Right Now

### Description

There's something to be said for the investment that has managed to infiltrate into our daily lives without us even realizing it. [Grocers](#) are perfect examples of this, and it was while making the rounds in my local store recently that I came to exactly that conclusion. I noticed that my cart consisted of a number of different product brands, all of which were owned by one company – **Premium Brands Holding** ([TSX:PBH](#)).

For those that are unaware of Premium Brands, the company owns over 30 well-known and established specialty food brands that cater to the needs of consumers and businesses across both U.S. and Canada. The company also has a growing array of 20 different distributor brands that cater to different tastes and markets.

### Short-term value, long-term opportunity

One of the first things that may intrigue potential investors is the 27% drop that the stock has realized over the course of the past 12 months. While that short-term loss is replaced with a gain of 200% over the course of the past five years, the recent dip and the opportunity it poses should be mentioned.

Premium Brands has always taken an aggressive stance toward acquiring other brands of value, moving in when needed. In 2018 alone, Premium Brands completed a number of new brands, including Ready Seafood Co., Yorkshire Valley Farms and Obertero's Meat Snacks. Each of these acquisitions greatly expanded the depth of Premium Brands' overall portfolio, but did so at the expense of taking on additional debt.

Fortunately, Premium Brands has an extensive and well-established history of integrating newly-acquired assets into its business, and with strong revenue growth over the course of the past few years that has averaged over 20%, this dip in the stock price should be seen more of as an opportunity for long-term investors rather than a sign of trouble.

If anything, the fact that we've gone as long as we have without Premium Brands announcing a new acquisition leads me to believe another announcement could be coming soon.

## Growth and dividend potential

While the strong revenue growth I mentioned is an intriguing element of Premium Brands, there is a related and equally attractive prospect for income-seeking investors that comes in the form of Premium Brands' dividend.

The company currently offers a respectable yield of 2.44%, which, while decent, can pale in comparison to some of the often-mentioned top dividend stocks on the market at the moment. So what makes Premium Brands a decent option for income seekers?

First, Premium Brands has maintained annual hikes to its dividend going back at least five years, and given the last dividend hike came last March, investors can expect a similar announcement when Premium Brands announces results for the first fiscal of 2019 next month.

Also worth noting is Premium Brands' payout ratio. In the most recent quarter, the payout ratio came in at a very sustainable 38.7% of free cash flow, nearly identical to the figure reported in the prior year. Incredibly, that figure has dropped significantly in the past decade from 60% or more as the dividend amount paid out increased.

Irrespective of whether Premium Brands uses that additional cash flow to increase its dividend, or help fund additional acquisitions, investors are sure to gain over the long term.

In my opinion, Premium Brands remains an [excellent long-term play](#) for investors looking for growth and income potential.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:PBH (Premium Brands Holdings Corporation)

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