3 Potentially Better Ways to Invest in Food Instead of Buying Kraft Heinz (NASDAQ:KHC) Stock

Description

After last week's news about a famous American company's surprise drop, are packaged foods suddenly a bad investment? Let's take a look at three other ways to invest in that space.

The beverage pick

Probably one of the best food and beverage stocks on the TSX index, **Lassonde Industries** (TSX:LAS.A) is down 12.22% in the last five days – though whether this loss is in any way connected with Kraft Heinz's current woes is a subject for another article. It's had a good year, with a solid one-year past earnings growth of 17.6% that continues in a similar vein from its 16.5% five-year average.

Lassonde Industries is a so-so all-rounder, with good-enough valuation (see a P/E of 14.2 times earnings and P/B of twice book), a moderate balance sheet (characterized by a slightly above-threshold debt level of 51% of net worth) and a modest dividend yield of 1.82% backed up with a small 6.6% expected annual growth in earnings.

The restaurant pick

Down 2.63% in the last five days, a hard 2018 left **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) with a negative one-year past earnings growth of -2.3%. However, its five-year average past earnings growth of 43.1% represents a generally sound track record.

With a dividend yield of 3.09% on offer, investors have two weeks to stack shares in Restaurant Brands International until its buy limit if they want to be in line for the next payment. There are a few notes of caution, however. While a past year ROE of 32% is significantly high, the company has a comparatively high level of debt at 335.5% of net worth; meanwhile, a P/E of 26.3 times earnings and P/B of 10.1 times book signify overvaluation.

The agri materials pick

One of the most promising stocks on the TSX index, **Nutrien** (TSX:NTR)(NYSE:NTR) is expecting a39.4% annual growth in earnings over the next three years. Decent valuation is signified by a market-beating P/B of 1.4 times book, while a dividend yield of 3.17% offers long-term investors some passive income. Nutrien is a sound addition to dividend portfolio, bringing ready diversification in a defensive industry.

The cautionary tale

At the time of writing, **Kraft Heinz** (NASDAQ:KHC) was down 26.61% in the last five days. Kraft Heinz saw a drop of 27% during a single 24-hour period of trading last week. A stock with an otherwise sound track record (see a one-year past earnings growth rate of 163.6% and five-year average of 79%), this stock might now continue to descend. Some investors may see this as a good time to buy an otherwise attractive stock, though its negative outlook in earnings and low P/E may be cause for concern.

The bottom line

Lassonde Industries offers investors a little bit of everything – a bit of growth, some passive income, an okay balance sheet – but nothing spectacular. Kraft Heinz is potentially a falling knife at this point, rather than a value opportunity; indeed, its share price has slid 35% in the last three years, and recent events are unlikely to do anything to reverse that trend. Restaurant Brands International is clearly overvalued, meanwhile, with Nutrien arguably the strongest TSX index food-related stock listed here.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:KHC (Kraft Heinz Intermediate Corporation II)
2. NYSE:NTR (Nutrien)
3. NYSE:QSR (Restaurant Brands International Inc.)
4. TSX:LAS.A (Lassonde Industries Inc.)
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