Whet Your Appetite for Dividends With These 3 Generous-Yielding Food Stocks

Description

There have been few investment strategies as successful as loading up on top food brand stocks and watching them rise ever higher.

There's a reason why Warren Buffett, the most successful investor of all time, has traditionally purchased these stocks. They have terrific brands that are instantly recognized by consumers. Marketing and brand recognition mean plenty of repeat business. And remember, everybody has to eat. The economic cycle doesn't really impact most food stocks.

These companies generate plenty of predictable profits, which are then paid out to investors in the form of generous dividends. In fact, some of the world's top dividend-growth stocks are consumer staple names. Sure, there's the odd bad year thrown in there, but for the most part these stocks are steady growers that keep chugging steadily upwards.

That's an attractive combination.

Let's take a look at three top food stocks — names that combine powerful brands with nice dividends.

High Liner

High Liner Foods (TSX:HLF) is North America's largest value-added provider of seafood, with operations spanning everything from traditional fish sticks to salmon and shrimp. Canadian consumers likely recognize the High Liner brand from store shelves, but the company also has other brands and is a big supplier to the restaurant market.

Unfortunately, things haven't been going so well for the company of late, with recent results showing a decrease in volume sold. Consumers are switching from battered fish products to healthier choices, and a 2018 recall didn't help matters either. Management has initiated a turnaround program that should help return the stock to organic growth mode come 2020, but the short term may still be weak.

But the company is still solidly profitable, even during this tough time. It just released full-year 2018 results with revenue coming in at US$1.12 billion and profits hitting US$16.8 million. On a per-share basis that translates into $0.66 in local currency, putting the stock at just 10.7 times trailing earnings.

It also means the company can still afford its generous dividend, which currently stands at 8.2%.

Rogers Sugar

There isn't much competition in the sugar market here in Canada, with **Rogers Sugar** (TSX:RSI) and competitor Redpath dominating the market. That might not be a great setup for consumers, but it's good for investors.

Rogers was a steady business for years, delivering predictable profits, even as consumers slowly migrated away from sweet things. This translated into an attractive dividend yield, which currently sits a hair under 6%. It was the stereotypical widows and orphans stock, delivering dependable income that trounced a comparable investment in a GIC.

But Rogers had a trick up its sleeve, spending some $190 million to acquire a top maple syrup company in Quebec. The maple syrup market is growing as consumers look to sweeten with more natural products. Rogers plans further acquisitions in the market, with a little organic growth thrown in for good measure.

Kraft Heinz

Kraft Heinz (NYSE:KHC) has been making headlines recently, and for all the wrong reasons.

The company recently disclosed fourth-quarter numbers that were, frankly, abysmal. Earnings were way down, with adjusted EBITDA falling some 16%. It also recorded a $15 billion non-cash impairment charge on goodwill and, perhaps worst of all, at least for dividend investors, the company slashed its quarterly payout by 36%.

But perhaps this is the best time to buy. Kraft Heinz is stuffed with some of the world's top food brands. Heinz is a dominant player in the condiment market, while Kraft's brands include Philadelphia, Jell-O, Maxwell House, and the iconic Kraft Dinner, among dozens more. Simply put, Kraft Heinz is a powerhouse.

The company's valuation hasn't been this compelling in years, either. Shares trade hands at less than 10 times forward earnings expectations, although analysts will likely ratchet those down in the upcoming weeks. Shares also yield 5%, even after the dividend cut. And you know Warren Buffett, who is a major shareholder, will be working hard with management to recover some of his lost investment.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. TSX:HLF (High Liner Foods Incorporated)
3. TSX:RSI (Rogers Sugar Inc.)

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