Rare Triple-Threat Alert: This Value Stock Also Offers Double-Digit Growth and Income

Description

Stocks are generally categorized as growth, income (dividend paying), and value, or a combination thereof. It is a rare occurrence when stocks fall into all three categories — that is, they pay a decent dividend, are expected to deliver double-digit growth, and can be considered undervalued at current trading prices.

It is therefore exciting when I come across a company that checks off all three boxes. It doesn't happen often, but when it does, I rarely pass up the opportunity. Today, one stock that can be considered a triple-threat is **Premium Brands Holdings** (TSX:PBH).

Despite posting fourth-quarter and year-end results that beat on both the top and bottom lines, Premium Brands fell almost 5% yesterday. This is a company that is setting new financial records, beating estimates, and doing nothing but execute.

Top growth stock

A growth stock is a company that is expected to grow by at least 10% on an annual basis. In 2018, Premium Brands has grown revenue and earnings per share by 37.6% and 12.4% over the full year 2017. Over the past five years, it has grown earnings by a compound annual growth rate of more than 50%!

It's not done growing. The company has guided to 22% revenue growth and 31% adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) growth in 2019. Analysts have similar expectations and estimate the company will grow earnings by 24% on average over the next five years.

Top dividend stock

Premium Brands is a Canadian Dividend Aristocrat having raised dividends for six consecutive years. It's a streak that will be extended again this year, as it announced a 10.5% increase to its dividend yesterday.

It has a decent yield (2.59%) and its dividend is well covered by cash flows. It has a free cash flow coverage ratio of 38.1%, down from 38.5% in 2017. Given its expected growth rates, there is no reason why the company can't continue its impressive streak of double-digit dividend growth.

Top value stock

At first glance, the company might look fairly valued as it is trading at 24 times current earnings. However, this is a growth company. Looking forward, it is trading at a cheap 15 times next year's earnings and it has a P/E to growth (PEG) ratio of 0.90. A PEG under one is a sign that the company's share price is not keeping up with expected growth rates. As such, it is considered undervalued.

Analysts agree. They have a one-year price target of $93.70, which implies 33% upside. Even the lowest target on the street, that of $82, is 15% above today's share price.

Foolish takeaway

Premium Brands has an attractive risk/reward profile. It has struggled mightily over the past year, losing almost 33% of its value. I consider the sell-off to be overdone. You can now pick up a quality company with impressive growth rates and a growing dividend at a great price.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:PBH (Premium Brands Holdings Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/09/28
Date Created
2019/03/15
Author
mlitalien