Which Consumer Staples Are Good Value Right Now?

Description

Consumer staples have long been held as a defensive arm of stock investment, with food and drink being seen as recession-proof industries. However, with some pundits south of the border declaring “big food” a bust, let’s see how a few Canadian companies stand up against one American cousin that’s currently the subject of much speculation.

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Saputo (TSX:SAP)

The TSX index’s star stock when it comes to dairy, Saputo, is up 1.94% in the past five days at the time of writing. Offering a dividend yield of 1.46% and with an 8.6% expected annual growth in earnings on the table, Saputo would bring defensiveness and diversification to a passive income portfolio light on consumer staples.

Would-be investors will have to weigh up the rest of it stats, which signify an adequate stock all told: a five-year average past earnings growth of 9.5% indicates a fairly pedestrian track record, though it’s suitably positive amid a tough, competitive industry, while a P/E of 23 times earnings and P/B of 3.2 times book suggest so-so valuation.

Rogers Sugar (TSX:RSI)

It’s been a good 12 months for this TSX index sugar giant, with a past-year earnings growth of 47.1% that eclipses its own 7.4% five-year average. While its level of debt to net worth has gone up over the last half a decade from 73.2% to 95.8%, more shares have been picked up than sold by insiders over the last three months, with the past 12 months seeing significant volumes of shares bought by those in the know.

Lassonde Industries (TSX:LAS.A)

Canada’s steady-rolling drinks producer can boast a stable track record, with a 12-month earnings growth of 17.6% almost identical to its five-year average of 16.5%. An okay track record is on display with a debt level of 51% of net worth, while valuation is fair in terms of its fundamentals (see a P/E of 13.3 and P/B of 1.8). A dividend yield of 1.94% meets a 6.6% expected annual growth in earnings for a decent all-round portfolio filler.

Kraft Heinz (NASDAQ:KHC)

Up 2.4% in the last five days, it seems "big food" stock Kraft Heinz is starting to find its way back into the good books of NASDAQ investors after falling off a cliff post-write down. While some doomsayers are writing this stock off altogether, citing changing consumer behaviour, it would be a shame to overlook some strong stats, from a solid five-year average earnings growth of 45.2% to an attractive P/B ratio of 0.8 times book.

While a debt level of 60.3% of net worth is within the danger zone and denotes a so-so balance sheet, a dividend yield of 4.86% is suitably appetizing, while a high 66.4% expected annual growth in earnings puts this stock firmly in the high-growth column.

The bottom line

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It would seem that food stocks on the TSX index are safe from the kind of fear currently following stocks like Kraft Heinz around at the moment. While Saputo's debt 46% of net worth beats that of Rogers Sugar, the latter stock has the better valuation (a P/E of 15.3 times earnings and P/B of 1.8 times book) as well as a higher dividend yield at 5.93%, making the sugar producer one of the strongest choices right now.

CATEGORY

1. Dividend Stocks
2. Investing
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2. TSX:LAS.A (Lassonde Industries Inc.)
3. TSX:RSI (Rogers Sugar Inc.)
4. TSX:SAP (Saputo Inc.)

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