



## Looking to Diversify? Consider This Appetizing Stock

### Description

Some of the best long-term investments are the companies that stand behind the products and services that we use on a daily basis and could not do without. While you may be thinking the [necessity of a utility](#) or even a [telecom](#) (cell phones are now an extension of us and not just for communicating), I'm referring to much more basic need: food.

Specifically, the company that I'm looking more at of late is **Premium Brands Holdings** ([TSX:PBH](#)). If you aren't fully aware of the company yet, allow me to provide a quick intro and why this could be an interesting addition to your portfolio.

As the name suggests, Premium Brands owns a collection of well-known brands in the food manufacturing and distribution business, with operations in seven different provinces as well as half a dozen U.S. states. Among those prominent brands are Concord Meats, Pillers, Larosa Foods, Country Prime Meats, The Meat Factory, and over three-dozen other brands and distribution names that make Premium Brands a major player in the market.

So, what exactly makes Premium Brands a worthy addition? Let's answer that with a look at the most recent quarterly update.

### Quarterly results

Earlier this month, Premium Brands announced results for the first quarter of 2019. In terms of revenue, Premium Brands realized an impressive 32.8% gain over the same period last year, coming it at a record-breaking \$776.6 million.

Adjusted EBITDA also came in at a record-breaking level of \$60.3 million, representing a \$17.2 million, or 39.9%, improvement over the same period last year. Premium Brands also reported \$167.8 million in free cash flow for the quarter, handily beating the \$129 million reported in the same period last year.

Much of that improvement was attributed to the work the company has done over the past few years through a series of acquisitions and improvements. Specifically, the company noted a new seafood

distribution platform in Ontario, while the Meat Snack and Deli Meats platform both saw a record number of listings in their respective markets.

Acquisitions have always been a key driver towards continuing the company's strong growth. During the quarterly announcement, company CEO George Paleologou noted that there are still plenty of opportunities on the market for further growth from both the brand and distribution channels.

Premium Brands provides investors with a quarterly dividend that currently amounts to a respectable 2.42% yield, which is also adequately covered through a payout ratio that is now 39.2%, having dropped 1.7% in the most recent quarter.

## Final thoughts

There are three key reasons why I see Premium Brands as a viable investment option.

First, the company is well diversified. With dozens of brands and dozens of distribution channels that span different products ranging from bread, meats, seafood to deli, Premium Brands is casting an extremely wide net over the market and using that weight to continue to attract new partners and acquisition targets.

Second, Premium Brands is viable income-producing stock. While not the largest yield on the market, the current yield is both covered and a decent return, while also leaving significant room for growth. This is important, as often companies need to compensate for fat dividends with anemic growth options. Premium Brands seems to have found a way to balance both.

Finally, there's the current stock price. Despite the market being up considerably in 2019, and Premium Brands surging following that recent quarterly announcement, the company is actually trading down over 20% for the trailing 12-month period; over a longer two-year period, the company is down just shy of 10%.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:PBH (Premium Brands Holdings Corporation)

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1. Investing

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dafxentiou

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