# This Surprising Stock Is up 1,508% … and it Still Has Room to Run

## Description

If I asked the average investor to tell me the best growth stocks in today's market, I'd probably get a list filled with marijuana stocks, sexy specialty retailers, or some new TSX Venture Exchange stock that has captured the investing world's imagination.



But I've learned something over my years as an investor, which is this: the best growth stocks are great companies slowly transforming fragmented industries like financial services, convenience stores, or online gambling. There's massive potential to consolidate these sectors, and the winner will end up with all sorts of advantages when it dominates. Yet it's not as sexy as trying to pick the winner of some new industry.

Today, I'd like to talk about another consolidator with loads of potential — a stock that could surge much higher. Here's why investors should take a long look at **Premium Brands Holdings** (TSX:PBH) today.

## The skinny

Thanks to a series of acquisitions, Premium Brands has quietly become one of Canada's largest manufacturers and distributors of fresh meat products. You've likely heard of some of the company's brands, which include Piller's, Grimm's, Freybe, Hygaard, McSweeny's, and Oberto, among dozens of others. The company also provides meat products for many top restaurant chains, so even if you haven't heard of its brands, chances are, you've eaten them many times without knowing.

Long-term growth has been nothing short of remarkable. A decade ago, the company did less than $500 million in annual revenue, which generated a profit of $19 million. That worked out to earnings of a little over $1 per share. In 2018, revenue increased to just over $3 billion, while the bottom line expanded to $3.02 per share.

Dividend investors should note the company also increased its annual dividend from $1.17 per share to $1.90 during that same period, hiking it on six different occasions. It has already announced a dividend increase in 2019, and shares yield 2.4%.

Premium Brands is a powerhouse in Canada, expanding from its Western Canadian base over the years. But the real potential comes from the United States, which only accounts for about 30% of the company's revenue, despite it being a much bigger market than here at home. The U.S. market is still quite fragmented, which bodes well for potential future acquisitions.

2018 was a busy year for management. Premium Brands made a whopping 11 acquisitions, spending more than $750 million. These deals should propel some nice improvements to the bottom line in 2019. The company has also made a couple of small acquisitions so far this year.

## Why today is the time to buy

For the first time in seemingly years, Premium Brands stock is trading at a reasonable valuation.

Analysts project the company will earn $3.74 per share in 2019 and then follow that up with $4.48 per share in 2020. This puts shares at 23 times 2019's earnings and a very reasonable 19.7 times 2020's potential earnings.



Some investors argue using free cash flow is the better way to value the company, since it has significant depreciation expenses. Free cash flow was $5.08 per share last year, which puts shares at just 17 times that metric.

The stock is also down significantly from its 52-week high, falling from $117 all the way to its current price of $88.40. That's a decline of approximately 25%.

Even after this decline, it's still been a remarkable decade for Premium Brands. The stock has posted a total return of 1,508% since June 13, 2009, assuming an investor reinvested all their dividends. That translates into a return of just over 32% each and every year.

Or, to put it another way, $10,000 invested in the stock back in 2009 would be worth more than $160,000 today.

## The bottom line

Premium Brands has delivered significant growth over the last decade, and with revenue just surpassing $3 billion, it still has plenty of potential left. Investors are finally getting a half-decent deal on shares after a 25% sell-off, and I'd doubt the company ever truly gets cheap.

It's time for you go get involved in this growth story. A decade from now, you won't regret it.

**CATEGORY**

1. Dividend Stocks
2. Investing

**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

**Date**
2025/09/10
**Date Created**
2019/06/16
**Author**
nelsonpsmith