



Revealed: This Deep Value Stock Is a Screaming Buy Today

Description

There's a lot of money to be made investing in turnarounds.

Don't listen to the naysayers who say that "turnarounds never turn." There are many instances of beaten-up former market darlings [returning to former glory](#). Most of these stocks are so depressed that all investors need for a nice profit is a small recovery.

I believe such a situation is playing out with **High Liner Foods Incorporated** ([TSX:HLF](#)) today. Here's why I think shares could easily double — or more! — from today's levels.

Finally making the tough decisions

High Liner is the leading North American seafood processor, selling various fish-related products in Canada, the United States, and Mexico. Despite the company's brand being well-known in Canada, the majority of its sales come from the much larger U.S. market, including to various food service companies.

The last couple of years have not been good to High Liner. The company saw weakness in its main product, battered fish, as consumers looked for healthier choices. It also had to deal with a significant product recall in 2017.

Poor results meant that the firm's debt became an issue, forcing the board of directors to make the tough decision to slash the dividend in 2018, interrupting an impressive streak of dividend growth.

Led by new CEO Rod Hepponstall, High Liner started making major changes to the entire company. A number of staff were let go as the company worked toward being one North American operating unit rather than having Canadian and U.S. divisions.

The company rebranded and focused on the most popular types of fish, including a renewed effort to push shrimp sales.

Despite these changes, however, 2018 was still a weak year. Sales were down approximately 3% because of weaker volumes and a strong U.S. dollar hurting results in Canada. Distribution costs were also up, and the bottom line was impacted by several one-time items.

The good news is the future looks much better. The company is seeing serious savings from its efforts to rein in costs. U.S. tariffs haven't been as bad as once feared. Even a slight beat of low expectations has been good news for the stock; shares are up more than 50% thus far in 2019.

The future

I think the good news is just beginning for High Liner investors.

First off, analysts are bullish about the turnaround. They predict earnings will recover to \$0.77 per share in fiscal 2020, and the company is confident it can also increase volumes after a tough couple of years.

Some of High Liner's new products have also been performing well, including haddock bites, a product recently introduced into the Canadian market.

Recent quarterly results indicate that the turnaround is well on track. Although volumes continued trending slightly lower, the company reported better adjusted profits than last year.

It also saw a nice boost from decreased expenses and, perhaps most important, gross margins leapt from 17.7% last year to 19.2% in the most recent quarter.

Although investors never like to see a dividend cut, High Liner is using the proceeds from the 65% dividend decrease to shore up its balance sheet.

From December, 2018 to June, 2019, the company has retired more than \$36 million in debt, reducing its total indebtedness by approximately 10%, which isn't bad for just two quarters of results.

The bottom line

Investors should remember that High Liner shares have traded as high as \$25 each. If the company can recover and post the kind of results it did back in 2015 when it hit those highs, I'm confident shares will soar much higher than the current level of approximately \$11 each.

If you're looking for a deep value investing opportunity, I can't think of many better than High Liner shares today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HLF (High Liner Foods Incorporated)

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