



Forget Gold: This 1 Stock Is Better!

Description

Imagine yourself sitting down at Baton Rouge about to cut into a perfectly cut steak. You're taking a minute to appreciate life. Your stocks are doing well, you're loving your job, and you're dating the most amazing person in the world.

As you scroll through Apple Finance, you notice that one stock in particular is performing well. You double click **MTY Food** ([TSX:MTY](#)), and as you peruse the stock description, you realize that you are sitting in one of the chains it owns!

For those of you unfamiliar with MTY Food, it is the powerhouse behind many fast-casual, sit-down, and fast-food restaurants that include Baton Rouge, Thai Express, Manchu Wok, and Mr. Sub, [just to name a few](#).

In the past five years, gold prices have increased 22.72%, while MTY Food has increased by 94%! That's almost four times the increase of gold. MTY Food is a good investment due to increasing net income and its acquisition-centric growth strategy.

Increasing net income

MTY Food's net income has increased every year since fiscal 2014 from \$25 million to \$99 million in fiscal 2018. The company's accumulated net income is \$234 million, which is amazing.

This is coupled with an increasing operating cash flow from \$32 million in fiscal 2014 to \$98 million in fiscal 2018. An increasing operating cash flow is a good sign, as it indicates the company is performing well in its main line of business.

Given current debt and lease obligations of \$7 million, the company has plenty of cash from operations to cover this. As an investor, this is very important, as the ability of the company to meet current liabilities will determine if it will survive in the near future.

Acquisition-centric growth strategy

Although the company engages in acquisitions frequently, one of the largest acquisitions made by the company was \$248 million for Imvescor in fiscal 2018.

Imvescor was the owner of Baton Rouge, Score's Chicken & Ribs, and Pizza Delight. One of the main features that enticed MTY Food was its streamlining and modernizing of its operations, which MTY Food wants to take advantage of.

Upon the closing of the deal, MTY Food will have more than 5,700 locations across North America under 75 brands with annual store revenues of \$2.9 billion.

This should excite investors, as a company engaged in an acquisition-centric growth strategy is focused on growing its business, which will ultimately deliver [bottom-line profits to investors](#).

Bottom line

In the cutthroat restaurant industry, diversification is key. With MTY Food owning over 75 different brands in over 5,700 locations across North America, I think it's safe to say the company is well diversified.

With net income that has increased each year since fiscal 2014, and the recent acquisition of Imvescor, the company is well positioned to deliver superior returns for investors in the near future.

For more risk-averse investors, I would recommend looking into how leveraged the company is, as acquisitions consume massive amounts of cash, and it is unlikely MTY Food is paying for it using its own cash, which means it is taking out loans. Interest payments can be a big drain on the company's cash and puts it in a precarious position if it has cash flow problems.

If you liked this article, click the link below for *exclusive insight*.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:MTY (MTY Food Group)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/21

Date Created

2019/10/02

Author

cliu

default watermark

default watermark