



TFSA Investors: This Stock Just Hit an Interesting Long-Term Buy Point

Description

I firmly believe that one simple investing strategy can yield investors massively good results.

I'm talking about having enough to have the retirement of your dreams... or a house on the lake... or even having enough capital to really make a difference in people's lives. That might mean a retirement nest egg of \$1 million, \$2 million, or even up to \$5 million.

This investing strategy is to simply identify the best companies and then buy shares whenever they hit a fresh 52-week low. That way you're getting a quality company and paying a good price.

It won't always work out, of course. Sometimes a stock will set multiple 52-week lows as it continues to plummet. But for the most part the strategy will work, and you'll be richer for it.

One stock has set a new 52-week low recently, a high-quality company that has already made many investors rich. If you don't already own it, now is the time to pick up shares.

This growth story is still alive and well

Led by founder Stanley Ma, **MTY Food Group** ([TSX:MTY](#)) has been one of the [best investments in Canada](#) over the last decade.

MTY started as a single restaurant in Montreal in 1979 before eventually developing new restaurant concepts. Then the company turned into an acquisition machine, gobbling up chains faster than I gobble up a plate of French fries.

Nowadays, the company owns dozens of recognizable chains, fast food brands that are well represented at mall food courts, as standalone locations, and even into the United States. In total, MTY's brands have approximately 4,000 locations in North America.

Although many of MTY's brands aren't experiencing stellar same-store sales growth, the company keeps the top line expanding by continuing to open new locations and make acquisitions.

MTY's total revenues have increased from \$54 million in 2009 to \$353 million in 2018. And thanks to the big acquisition of Papa Murphy's — one of the largest pizza chains in the United States — revenue should easily exceed \$500 million in 2019.

Despite this impressive [long-term growth](#), MTY shares are currently trading just above \$53 each at writing, which is a fresh 52-week low. The reason for the short-term weakness is that financial results from the big acquisition aren't up to investor expectations.

MTY reported a big jump in quarterly revenue, with the top line up 36% on a year-over-year basis. But earnings didn't spike accordingly, with adjusted EBITDA only increasing 8%. Earnings per share increased only slightly, from \$0.88 to \$0.91.

It's easy to see why investors would be disappointed with these results.

The opportunity

MTY continues to gobble up smaller fast food chains, including half a dozen acquisitions over the last six months or so. This growth should be able to continue; after all, there are a lot of small restaurant chains out there.

Analysts remain bullish, too. Over the last four quarters, MTY has generated \$2.88 per share in earnings. The company is estimated to earn \$3.52 per share in 2020, putting shares at a very reasonable forward price-to-earnings multiple of just over 15x.

To put that into perspective, the **TSX Composite Index** itself has a forward price-to-earnings ratio in the same range, and MTY is projected to grow its bottom line by 25% in the next year. That's a very attractive combination of valuation and growth.

The company also has a history of growing the top line without profits coming along for the ride. From 2013 to 2015, MTY's net income per share stayed pretty much flat. Revenue was up 45% in that period. Then, in 2016, the bottom line leapt forward, more than doubling 2015's net profit. MTY could very well be in the middle of that kind of consolidation period today.

The bottom line

With a market cap of just \$1.3 billion, MTY Food Group is still a small player in a very big industry. The company should continue to grow at a brisk pace, and eventually earnings will catch up to revenue growth. When that happens, you'll be kicking yourself for not buying at today's price.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MTY (MTY Food Group)

PARTNER-FEEDS

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