Buy This No-Brainer Stock Today (And Then Never, Ever Sell)

Description

Sometimes, even when markets are bumping up against new all-time highs like they are right now, certain investing opportunities exist that look to be close to a sure thing. Investors must seize upon these situations when identified; just a smallest hesitation or delay could mean the opportunity has passed them by.

In fact, I'll go one step further. Not only is this stock a screaming buy today, but it's also the kind of company you'll want to own over the long term. It's poised to be an excellent performer for decades — an investment that can deliver excess returns for a very long time.

Let's take a closer look at this company and why it's such a compelling long-term-buy opportunity.

The skinny

When looking for a forever stock, I want to see a company with loads of growth potential, a sustainable competitive advantage, and a compelling valuation. **Maple Leaf Foods** (TSX:MFI) checks off all three boxes.

Maple Leaf is one of Canada's largest food manufacturers, dominating the protein space in your local meat department. Notable brands include Maple Leaf Prime, Schneiders, Mitchell's, Lunch Mate, and Swift, among others. The company's products span all sorts of different protein sources, and it has even launched a number of vegetarian options as well.

Maple Leaf has been slowly transforming itself over the last few years into a pure meat company. Gone are non-core assets like Canada Bread, which generated cash that was reinvested into modernizing plants and acquisitions in the protein space. Recent deals included $215 million spent on VIAU Foods and the purchase of two poultry plants and associated supply from Cericola Farms. Investors should expect further acquisitions as the company bolsters its supply chain and buys additional brands.

Buoyed by these acquisitions and higher lean hog prices, Maple Leaf posted a nice increase in revenue during its most recent quarter, with the top line expanding nearly 14% compared to the same quarter last year. Unfortunately, this didn't result in better profits. The bottom line fell by nearly 50% with adjusted operating earnings falling some 80%. The company primarily blamed increasing hog prices for the loss, telling investors it wasn't able to increase prices to consumers as quickly as it wanted. Investments in new plants also drove down the bottom line, and a Chinese ban on Canadian pork imports didn't help either.

Not surprisingly, shares tanked on news of the crummy quarter, falling some 15% overnight. This created a nice buying opportunity — a gift for long-term investors.

The opportunity

One of the reasons why I'm a big bull on the meat sector is because consumers are increasingly turning to protein consumption to replace carb-laden sweets and bread.

I'm a great example. My go-to snack is now pepperoni or beef jerky, and I ensure my meals have a big protein serving. And I'm not nearly as hardcore as the folks who are doing popular protein-rich diets like keto or paleo — eating plans that advocates say are great for your long-term health.

Yes, Maple Leaf's earnings will continue to be volatile, as pork prices are impacted by African Swine Fever. But investors must remember that this short-term phenomenon will pass, and Maple Leaf delivers solid profitability when the market is a little more predictable. The company posted $1.54 per share in adjusted earnings as recently as 2017. Shares today are just over $22 each. That's a compelling valuation.

And then there's Maple Leaf's plant protein division, a part of the company that could grow into something major. Over the last year, revenues from that part of the organization jumped more than 30%, increasing from $36 million to $47 million.

Patient investors are also getting paid to wait, with the recent sell-off in the stock pushing up Maple Leaf's yield to a pretty solid 2.5%. The company has also hiked the payout each of the last five years — a trend that should continue.

The bottom line

Maple Leaf should continue to grow its top line both organically and by making acquisitions. Shares are beaten-up because of temporary issues, too, making this is an excellent entry point for a company that has all sorts of potential ahead of it.

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nelsonpsmith