



Aspiring Millionaires: This 1 Stock Is a Must-Buy!

Description

Lassonde ([TSX:LAS.A](#)) develops, manufactures and markets a wide range of ready-to-drink fruit and vegetable juices and drinks as well as frozen juice concentrates in North America.

The company is one of the top two producers of store brand shelf-stable fruit juices and drink in the United States.

The company also develops, manufactures and markets specialty food products such as fondue broths and sauces and pasta sauces. Further, Lassonde imports wines for packaging and marketing.

The company reports a market capitalization of \$1.07 billion with a 52-week high of \$213.52 and a 52-week low of \$153.10

Intrinsic price

Based on my calculations using a discounted cash flow (DCF) valuation model, I determined that Lassonde has an intrinsic value of \$206.20 per share.

Assuming less than average industry growth, the intrinsic value would be \$203.71 per share and higher than average industry growth would result in an intrinsic value of \$208.75 per share.

At the current share price of \$154.59 at writing, I believe that Lassonde is substantially undervalued. Investors looking to add a food and beverage manufacturing company to their TFSA or RRSP should consider [buying shares](#) of Lassonde.

Lassonde has an enterprise value of \$1.76 billion, representing the theoretical price a buyer would pay for all of Lassonde's outstanding shares plus its debt.

One of the good things about Lassonde is its acceptable leverage with debt at 23% of total capital versus equity at 77% of total capital.

Financial highlights

For the nine months ended September 28, 2019, the company reports a strong balance sheet with \$539 million in retained earnings.

This is a good sign for investors, as it suggests that the surpluses in the previous years have been reinvested to grow the company.

Lassonde reports cash and equivalents of \$1.2 million with \$64 million in short-term liabilities. While the company does not have enough cash on hand to cover its current liabilities, this isn't a concern given its credit facilities.

That said, I would like to see a company with this history have enough cash on hand to cover its short-term debt.

Overall revenues are up materially from \$1.697 billion in 2018 to \$1.246 billion in 2019 (+6.8%), which is offset by increases in COGS and operating expenses (+7.6%). Lassonde reported a pre-tax profit of \$60 million for the period, down from \$69 million in 2018.

From a cash flow perspective, management takes a [proactive approach](#) to debt management as indicated by its \$51 million pay down of long-term debt (\$38 million pay down in 2018).

This is offset by a \$186 million cash inflow from debt issuance in 2018 and draws on the revolver for \$47 million in 2019 and \$20 million in 2018.

The company purchased and cancelled \$7 million worth of Class A shares during the nine-month period. This is a strategy often used by management to indicate that it believes the current share price is undervalued.

Foolish takeaway

Investors looking to buy shares of a food and beverage manufacturing company should consider buying shares of Lassonde. The company reports strong revenue growth, a positive retained earnings and a management team keen on keeping its debt in check.

At its current share price of \$154.59 at writing, I believe Lassonde is significantly undervalued compared to its intrinsic value of \$206.20. Thus, RRSP and TFSA investors stand to benefit immensely by investing in the company.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:LAS.A (Lassonde Industries Inc.)

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Date

2025/09/29

Date Created

2020/01/05

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