



Maple Leaf Foods (TSX:MFI): Buy it and Hold for Decades

Description

If you're one of those investors who have the patience to hold stocks for decades, investing in **Maple Leaf Foods** ([TSX:MFI](#)) stock will help you reap the rewards later. The company's investment in growth initiatives is likely to hurt its profitability in the near term. However, it sets the stage for stellar gains in the long run.

Maple Leaf Foods has crossed the inflection point and is set to benefit from its investments in fast-growing avenues like plant-based protein. Meanwhile, profitable growth in its meat protein business provides the much-needed stability amid turbulent times.

Plant protein to drive growth

Maple Leaf Foods's plant protein business has opened an enormous growth opportunity for the company. The plant-based protein is in high demand, as people continue to shift to healthier and sustainable living. The category is projected to exceed \$25 billion by 2029, and Maple Leaf Foods remains well positioned to benefit from the rise in demand.

Maple Leaf Foods has established itself as a leading player in the plant-based protein space, and the company expects to make its plant protein segment a \$3 billion business over the next decade. The plant protein segment's top line is growing at a brisk pace. In the [most recent quarter](#), the plant protein segment's revenues increased by about 26% year over year. Besides, the company expects the segment to sustain the growth momentum and increase by 30% in 2020.

Increased demand, product innovation and expanded distribution should continue to drive the plant protein segment's revenues.

Meat protein drives profitable growth

While the company's plant protein business is growing rapidly, its meat protein segment continues to report steady sales. Sustained demand, increased exports to Asian markets, price restructuring, and strong retail channel sales bode well for growth.

In the most recent quarter, Maple Leaf Foods's meat protein segment's [revenues increased by 12.7%](#). Besides, the adjusted EBITDA margin expanded 240 basis points.

While sales in the meat protein group will continue to benefit from higher exports and sustained demand, margins are expected to benefit from favourable mix shift along with cost and operational efficiencies. Maple Leaf Foods expects to expand its adjusted EBITDA margin in the meat protein group to 14% to 16% by 2022 from 10.4% in 2019.

Dividend play

Besides offering stability and growth, Maple Leaf Foods is also an ideal stock for passive income. Maple Leaf Foods has consistently increased its dividends over the last six years. Earlier this year, Maple Leaf Foods raised its quarterly dividends by 10%.

The company's defensive business and sustained demand for its products will continue to support future payouts. Currently, Maple Leaf Foods stock offers a dividend yield of 2.5%.

Bottom line

The COVID-19 pandemic is unlikely to have much of an impact on Maple Leaf Foods. Its top line will continue to grow at a healthy pace, thanks to the higher exports and increased sales in the retail channel. Further, traction in the plant protein segment should support the revenues.

Meanwhile, capitalizing on the high-growth plant protein market, strong product pipeline, and expansion of its product portfolio provides an underpinning for long-term growth.

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snahata

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