



New to the Stock Market? Buy This TSX Stock After its Solid Q2 Earnings

Description

On Thursday, the shares of **Maple Leaf Foods** ([TSX:MFI](#)) rallied, despite the broader market weakness. It's a Mississauga-based food producer with a market cap of \$3.4 billion. Maple Leaf released its second-quarter results on July 30. In Q2 2020, its adjusted earnings rose by 5% year over year (YoY) to \$0.21 per share. With this, the company beat Bay Street analysts' consensus estimate of \$0.16 earnings per share. The results managed to impress investors, as its stock settled with about 5.4% gains on Thursday as compared to no change in the **S&P/TSX Composite Index**.

Robust growth in all segments

In the second quarter, Maple Leaf Foods's total sales rose by 7% YoY to \$1.1 billion. While the sales of its meat protein segment rose by 5.8% in the last quarter, its plant protein segment saw a massive 41.4% YoY sales increase.

It is important to note that the plant protein group only makes up a tiny portion of Maple Leaf Foods's revenue. In the quarter ended June 2020, the company's 95% revenue came from the meat protein group.

Maple Leaf Foods registered a solid 22.7% YoY rise in its Q2 adjusted EBITDA from the meat protein segment with a healthy margin of 13.3%.

The ongoing pandemic

The [ongoing pandemic](#) is turning out to be disastrous for many businesses across the globe. This is one of the key reasons for the overall downbeat second-quarter earnings season. COVID-19 has not only hurt industries in the last few quarters, but it also has dimmed their future outlook. That's why investors are shifting their attention towards businesses that are growing despite the pandemic, and Maple Leaf Foods is certainly one of them.

While the rising supply chain and costs related to other COVID-19 measures hurt Maple Leaf's

profitability in the last quarter, it still managed to post impressive second-quarter results.

Impressive outlook

In fiscal 2020, Maple Leaf Foods [expects](#) a mid- to high single-digit growth in its meat protein group's revenue with the sustainable demand for meats and higher sales to Asian markets. The company expects these factors to help it expand its gross margin this year.

Despite the pandemic, Maple Leaf has not changed its 2022 adjusted EBITDA margin target of 14-16% from meat protein segment. The company expects cost efficiencies and higher demand from Asian countries to help it achieve this margin target by 2022.

Also, Maple Leaf Foods expects a 30% rise in its 2020 plant protein segment revenue.

Foolish takeaway

Maple Leaf Foods is not the only company delivering high growth amid the pandemic. However, the shares of most other such companies have already seen a sharp rally in 2020 so far, whereas Maple Leaf Foods stock has risen by only 12.9% year to date. During the same period, the TSX benchmark has seen 4.5% losses.

Due to its rising sales and profitability from both the segments along with stronger demand from Asian markets, I expect Maple Leaf Foods stock to rise in the second half of 2020.

CATEGORY

1. Coronavirus
2. Investing

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