3 Best Food Stocks to Buy in September 2020

Description

Everyone needs to eat. Here are the three of the best food stocks to consider buying in September 2020. They can deliver attractive returns over the next year and beyond based on their current valuations and growth potential.

Loblaw

As Canada's largest retailer that's a leader in the essential food and pharmacy space, **Loblaw** (TSX:L) has been reporting resilient results during the pandemic period.

Loblaw has about 1,050 grocery stores and 1,400 full-service pharmacies. Its banners include Superstore, no frills, T&T, Shoppers Drug Mart, etc. Some of its popular brands include Joe Fresh, Life Brand, no name, and President's Choice.

In the first half of its fiscal year (H1), Loblaw's revenue climbed 9% to beyond $23.7 billion, while its adjusted EBITDA, a cash flow proxy, fell marginally by 1% to $2.1 billion due partly to a margin compression of 1% to 9.2%. Its adjusted earnings per share fell 4% to $1.72 against H1 2019.

The $66-per-share level has been a support for Loblaw stock since mid-2019. The stock trades at below $67 at writing. So, interested investors can start buying in this range.

Analysts have an average 12-month price target of $81.80 per share on the stock, which represents 22% near-term upside potential. Additionally, the stable stock also provides a safe 1.9% yield.

Empire Company

Food retailer **Empire Company** (TSX:EMP.A) had strong results that were primarily driven by improved business results and the full-year consolidation of Farm Boy (an Ontario food retailer that Empire acquired in late 2018).

The full fiscal year results provide a bigger picture. Sales increased 6%, exceeding $26 billion, and adjusted EBITDA climbed 76% to nearly $1.9 billion. Adjusted earnings per share rose 47% to $2.20.

Empire's payout ratio is estimated to be roughly 23%. So, its 1.6% dividend is rock solid.

The stock has 20% near-term upside potential, according to analysts' average 12-month price target of $39.56 per share. Empire's payout ratio is estimated to be roughly 23%. So, its 1.6% dividend is well protected.

Investors should note that Empire will be reporting its fiscal Q1 2021 results on Thursday morning. Therefore, the stock could experience above-average volatility in the near term. The stock is attractive today, but if it falls to below $30, it'll be even more compelling.

Goodfood Market

Goodfood Market (TSX:FOOD) stock has simply been killing it by more than doubling its shareholders' money in the last 12 months. It's been over and above resilient in today's pandemic environment.

Many households are subscribed to Goodfood's convenient meal kit and grocery delivery service so as to make less frequent trips to crowded grocery stores.

The company was only founded in 2014. And it has experienced rapid growth. The last quarter reported still strong revenue growth of 74% to more than $86 million against the same period in the prior year.

At $6.34 per share, Goodfood has a market cap of $414 million and still lots of room to grow. Last week, it reached more than 280,000 active subscribers, which was 40% higher year over year.

Analysts estimate that it will appreciate almost 49% over the next 12 months, which would be compelling total returns.

Notably, for the first time in its history, Goodfood recently reported its first quarter of year-over-year net income and positive EBITDA.

The stock has experienced a +30% correction, which could be a nice entry point to start a position.

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2. TSX:FOOD (Goodfood Market)
3. TSX:L (Loblaw Companies Limited)

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