



TFSA Investors: 1 TSX Stock to Buy Right Now With \$6,000

Description

Along with tech stocks, Canadian food-processing stocks were also relatively fast to recover recently. **Premium Brands Holdings** ([TSX:PBH](#)) stock is one of them. It is up almost 60% since its record lows in March.

Premium Brands Holdings

Interestingly, this \$3.7 billion food processing company continues to offer handsome growth prospects. Long-term investors can consider adding Premium Brands stock in their TFSAs (Tax-Free Savings Accounts).

What I particularly like about Premium Brands is its superior long-term growth and a broad range of specialty food products. It generates more than 60% of its earnings from Canada, while the rest comes from the United States. It owns and operates popular brands like Audrey's, Conte Foods, Deli Chef, Freybe, Expresco, Ready Seafood, etc.

Premium Brands caters to niche markets with a higher regional focus. This creates brand loyalty and facilitates higher profit margins. The company has seen substantial financial growth in the last couple of decades. Its revenues have increased by more than 21% compounded annually since 2003.

It's innovation and inorganic growth enabled such an above-average growth in the last decade. Interestingly, Premium Brands has completed 62 acquisitions in the last 15 years.

Growth prospects

Changing consumer behaviour, demographics, and convenience could continue to see higher demand, particularly in Premium Brands's specialty foods segment. It intends to expand in cooked protein, meat snacks, and seafood in the near future.

The management recently reaffirmed its growth plans of reaching revenues of \$6 billion by 2023. This

is a compounded annual growth rate of 14% — higher against the industry average. Investors should note that it remains on growth track, despite being hampered by the pandemic this year.

Premium Brands might resume business acquisitions soon, given its strong balance sheet and higher earnings in 2020. The company had temporarily suspended those plans due to the COVID-19.

Premium Brands stock has been a solid wealth creator for its shareholders and returned 1,012% in the last 10 years. Peer **Maple Leaf Foods** stock returned a mere 260% in the same period.

Dividends and valuation

PBH stock currently offers a dividend yield of 2.5%, marginally lower than TSX stocks at large. It has a [long dividend payment history](#) and has raised payouts in the last eight consecutive years.

Its average payout ratio for 2019 was nearly 45%, which suggests a room for future dividend growth. Its moderate payout ratio also indicates that shareholders' dividends will remain safe, even in case of an earnings plunge.

PBH stock is trading at a forward price-to-earnings multiple of 50 times and looks notably expensive. However, despite its stretched valuation, the stock looks attractive, because of its solid growth potential and a stable dividend profile.

Cautious investors can wait for a pullback or may consider buying in portions. Peer stock Maple Leaf Foods is trading at a far higher valuation multiple than PBH and also yields lower.

Premium Brands's solid total return potential makes it a suitable pick for the TFSA. It would be prudent to invest in more than one stock in order to [diversify](#).

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