



## Why Maple Leaf Foods (TSX:MFI) Is a Buy at These Levels

### Description

The equity markets have been highly volatile this month due to rising COVID-19 infections and signs of a slowdown in the global economy. Meanwhile, the volatility could continue, given the uncertainty over the outcome of the United States presidential elections.

So, given the uncertain outlook, you should strengthen your portfolio by investing in defensive stocks, such as **Maple Leaf Foods** ([TSX:MFI](#)). The company produces food products under various brands, including Maple Leaf, Maple Leaf Prime, Maple Leaf Natural Selections, Schneiders, Mina, Greenfield Natural Meat, etc.

It has classified its operations into two broader segments: the meat protein segment, which focused on profitable growth, and the plant protein segment, which is focused on revenue growth.

### Plant protein segment: A growth engine

The increased awareness about healthy and sustainable food products has led to a surge in demand for plant protein. Industry experts are projecting the plant protein market to reach \$25 billion by 2029. So, to meet the changing needs of the consumers, Maple Leaf Foods has been investing in expanding its plant protein business, which has impacted its profitability.

In the first [two quarters of this year](#), the segment's revenue increased by 34.3% to \$107 million. The expanded distribution of its new products and volume growth in the existing portfolio drove its revenue.

Meanwhile, its adjusted EBITDA losses increased from \$5.1 million to \$43.1 million. The company is focusing on driving its sales and expanding its market share. So, it has increased its spending on new product launches, distribution, and advertising, promotional, and marketing programs, which has caused its operating losses to rise.

However, the company's initiatives to meet the changing needs of the customers could be rewarding in the long run. The management hopes to build the segment into a highly profitable \$3 billion business over the next decade.

## A profitable meat protein segment

The meat protein segment has provided much-needed stability to the company's earnings. In the first six months of this fiscal year, the segment's top line grew 9% to \$2.02 billion. The increased exports to Asian markets, shift in consumer preferences towards branded products, and higher retail sales drove the segment's revenue.

Meanwhile, the segment's adjusted EBITDA margin also expanded from 10.7% to 12.3%. Higher gross margins and several cost-cutting initiatives helped the company improve its EBITDA margins. The company's management expects to improve its adjusted EBITDA margin to 14-16% by 2022. So, the company's growth prospects look healthy.

## Liquidity and dividends

In the recently completed quarter, the company generated over \$55 million of free cash flow, which increased its cash and cash equivalents to \$111.2 million. So, the company's balance sheet looks healthy. Meanwhile, the company rewards its shareholders with quarterly dividends. Its dividend yield currently stands at 2.3%, which is on the lower side.

However, its dividend growth has been attractive. In the last five years, the company's board has raised its dividends at a CAGR of close to 30%. So, you can expect above-average dividends from the company in the long run.

## Bottom line

Despite its strong growth prospects and non-cyclical business, Maple Leaf Foods trades at an attractive forward price-to-earnings multiple of 21.8. The company has returned over 7% this year, comfortably outperforming the S&P/TSX Composite Index.

Meanwhile, the upward momentum in the company's stock price could continue, given the high-growth potential of the plant protein market, its strong product pipeline, and the expansion of its product portfolio. So, I believe [Maple Leaf Foods provides an excellent buying opportunity in this volatile market](#).

### CATEGORY

1. Investing

### POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. TSX:MFI (Maple Leaf Foods Inc.)

## PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

## Category

1. Investing

## Tags

1. Editor's Choice

## Date

2025/09/07

## Date Created

2020/09/30

## Author

rnanjapla

default watermark

default watermark