



## Is MTY a Good Stock to Buy?

### Description

Companies in the restaurant sector have been deeply impacted by the pandemic, as they had to shut down their restaurants during lockdowns. They are now recovering, as restaurants have reopened and welcomed back customers. Let's look at **MTY Food Group** ([TSX:MTY](#)) to see if it's a good stock to buy now.

### Things are going back to normal for MTY

MTY owns over 80 restaurant brands, including well-known restaurant brands like Baja Fresh and Tiki-Ming. MTY had a loss last year, as many of its locations can be found in malls' food courts. The company was forced to eliminate its dividend during the pandemic. It's a good thing that it restored its pre-pandemic dividend in July.

When malls reopened and more people were vaccinated, MTY Food Group's results quickly normalized.

Approximately 98% of its locations are franchised or under operating agreements. Thus, the business needs little money to run the business. Since the start of the year, it has generated nearly \$104 million in free cash flow, or \$4.17 per share.

### Strong third quarter

MTY reported higher sales and profits in its fiscal third quarter.

Revenue reached \$ 150.8 million for the quarter ended August 31, an increase of 11.4% from \$135.4 million in the previous year's quarter. System sales increased 13% to \$1 billion. They increased by 29% in Canada, 5% in the United States, and 7% internationally.

Net income attributable to shareholders was \$24.3 million (\$0.98 per share) in the third quarter of 2021, up from \$22.9 million (\$0.93) in the third quarter of 2020.

The franchisor and restaurant operator reinstated its quarterly dividend during the quarter with a payment of \$0.19 per share on August 13.

[MTY CEO Eric Lefebvre said](#), "This strong financial performance reflects a rebound in customer traffic for many of our brands. It was realized in a difficult context of lingering supply-chain issues, [labour] shortages, and the continuing impact of the COVID-19 pandemic, as shown by the business days lost due to temporary closures (19,300)."

MTY said that at the end of the quarter, 164 locations were still temporarily closed due to the pandemic, including 118 in Canada, 16 in the United States, and 30 internationally. The company said 139 locations were still temporarily closed as of October 8, 2021.

In fact, in this fiscal year (which ended in November), its profits are expected to exceed what it earned in 2019.

## Küto Acquisition

MTY has acquired the assets of Küto Comptoir à Tartares, a growing chain of tartare restaurants.

The Küto network currently has 31 points of sale, all franchised and located in Quebec, and 13 of these locations have opened in the past 12 months.

On an annualized basis, network system sales are between \$20 million and \$25 million.

Eric Lefebvre said, "Küto is a young innovative brand that stands out for the quality of its products. It relies on a network of committed franchise partners who are just as dynamic. Küto benefits from a loyal customer base who are passionate about high-end tartares and novelty menu items. It offers significant growth potential for the years to come."

## MTY is a buy

MTY is recovering well from the pandemic and continues to make interesting acquisitions.

Today, the stock is trading at a slight discount and has the potential to generate total [returns](#) of around 27% over the next year. It's time to buy this great food stock.



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