

2 Specialty Foods Stocks For Income Investors

by Robert Hauver

Have you noticed how radically the offerings at your local markets have changed? Consumers are demanding more variety, and more healthful choices. Specialty foods, previously seen as exotic, such as artisanal cheeses, meats, smoked seafood, formerly hard-to-find exotic cooking ingredients or sauces, an increasingly wider array of beverages, and organic foods of all types now fill the grocery aisles.

The growth of the organic food industry has been accelerating over the past decade, and now represents over 4% of \$760 billion annual food sales in the U.S. Many specialty and organic items come from small, privately held firms, but there are ways than investors can access the specialty foods industry.

We examined the specialty food industry, with an eye to solid, publicly traded companies that income investors could benefit from, and we came up with these 2 dividend stocks:

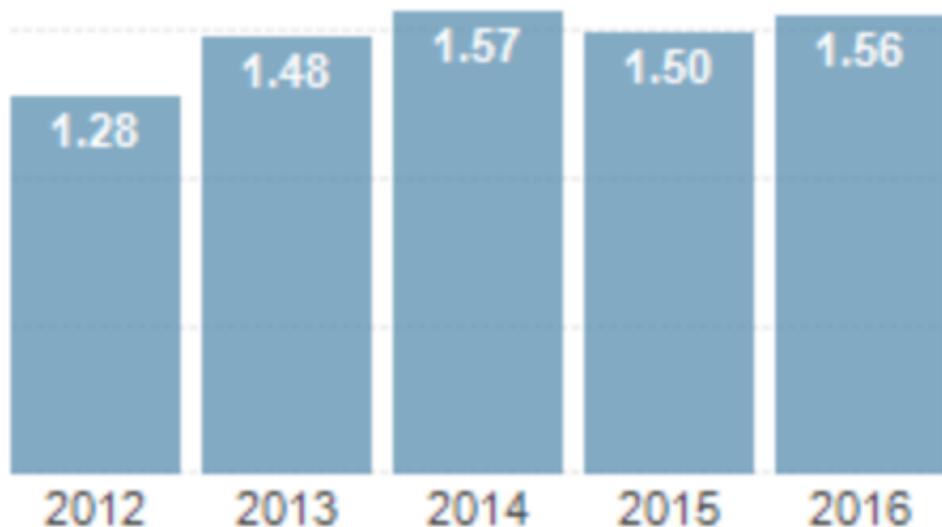
Marine Harvest ASA (MHGVY): Marine Harvest is one of the largest seafood companies in the world, and the world's largest producer of Atlantic salmon. The company employs 12 717 people, and is represented in 24 countries. In 2016 the company had a turnover of EUR 3.6 billion. Marine Harvest is listed on the Oslo Stock Exchange (OSE) and its shares also trade on the US OTC market.

You might be thinking, "what's so special about salmon, that's been in the stores forever"? But, in addition to fresh salmon, Marine Harvest also owns specialty smokehouse brands, such as Ducktrap River of Maine, a high end purveyor of smoked fish, such as salmon, trout, mackerel, whitefish, haddock and catfish, to specialty stores and supermarkets, such as...

Whole Foods Market (WFM): Whole Foods Market was founded in Austin, Texas, 1980, when four local businesspeople decided the natural foods industry was ready for a supermarket format. They now are the world's leading natural and organic foods retailer, with 465 locations in North America and the UK.

WFM has been getting pressured by an activist investor group, Jana Partners, which owns 9% of WFM's stock, to make some changes, after experiencing sluggish sales over the past 7 quarters. Jana nominated several new board members, including well-known food writer Mark Bittman, former Harris Teeter CEO Thomas Dickson, and former Kellogg's exec Celeste Clarke.

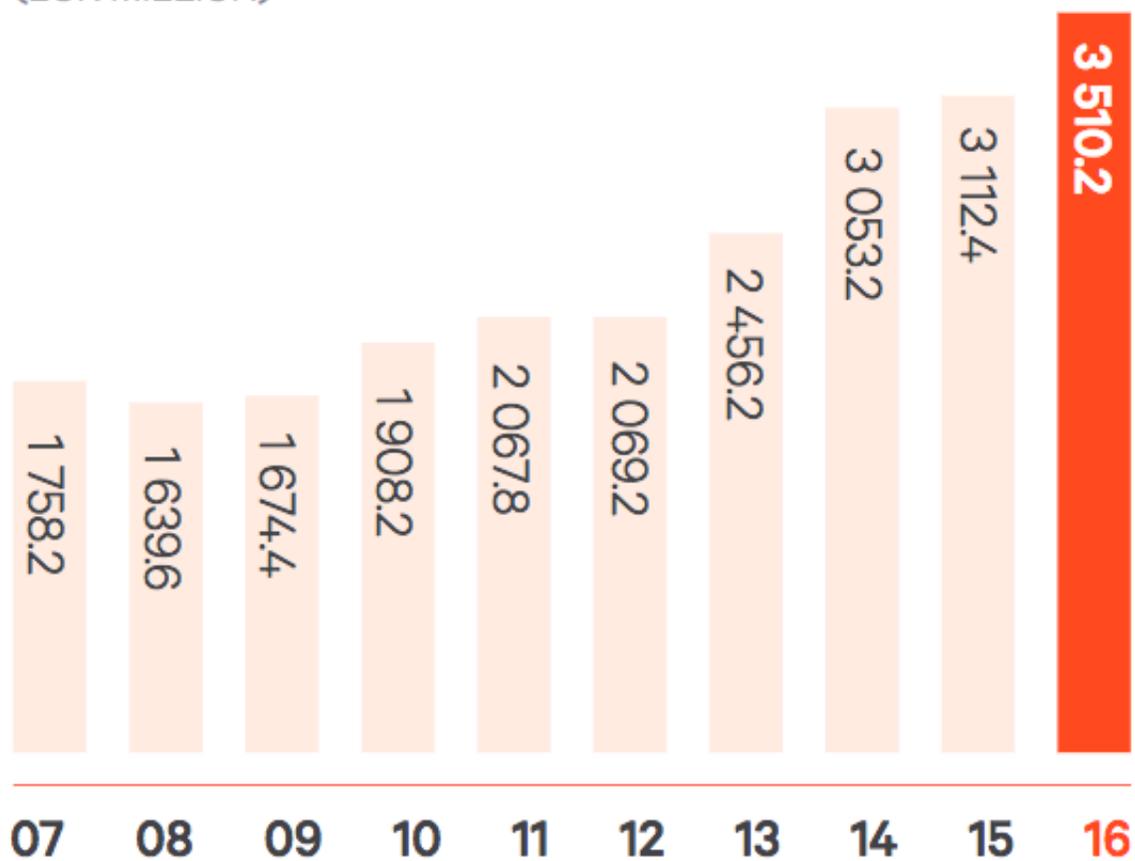
Here's a snapshot of WFM'S EPS over the past 4 years:



Marine Harvest's earnings have been a bit lumpy - they fell in 2015, but then set company records for revenues and EBIT in 2016, due to higher prices and volume, sparked by even stronger demand:

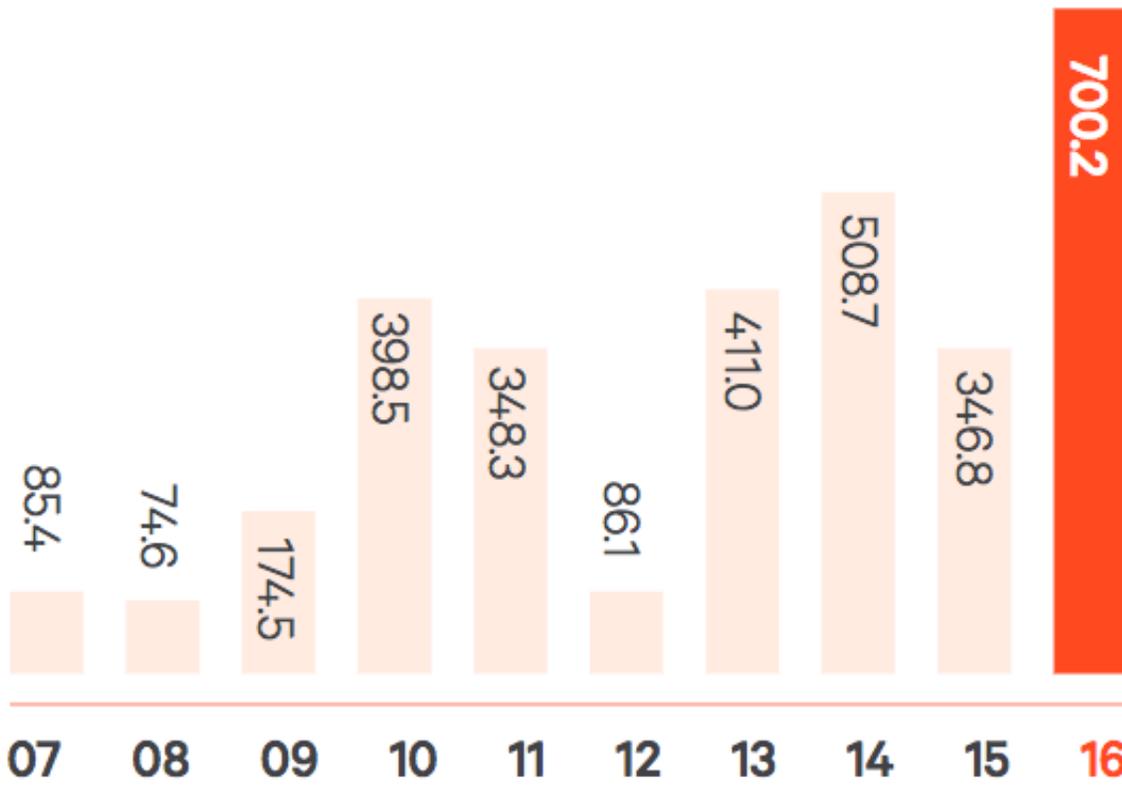
Revenue and other income

(EUR MILLION)



Operational EBIT

(EUR MILLION)



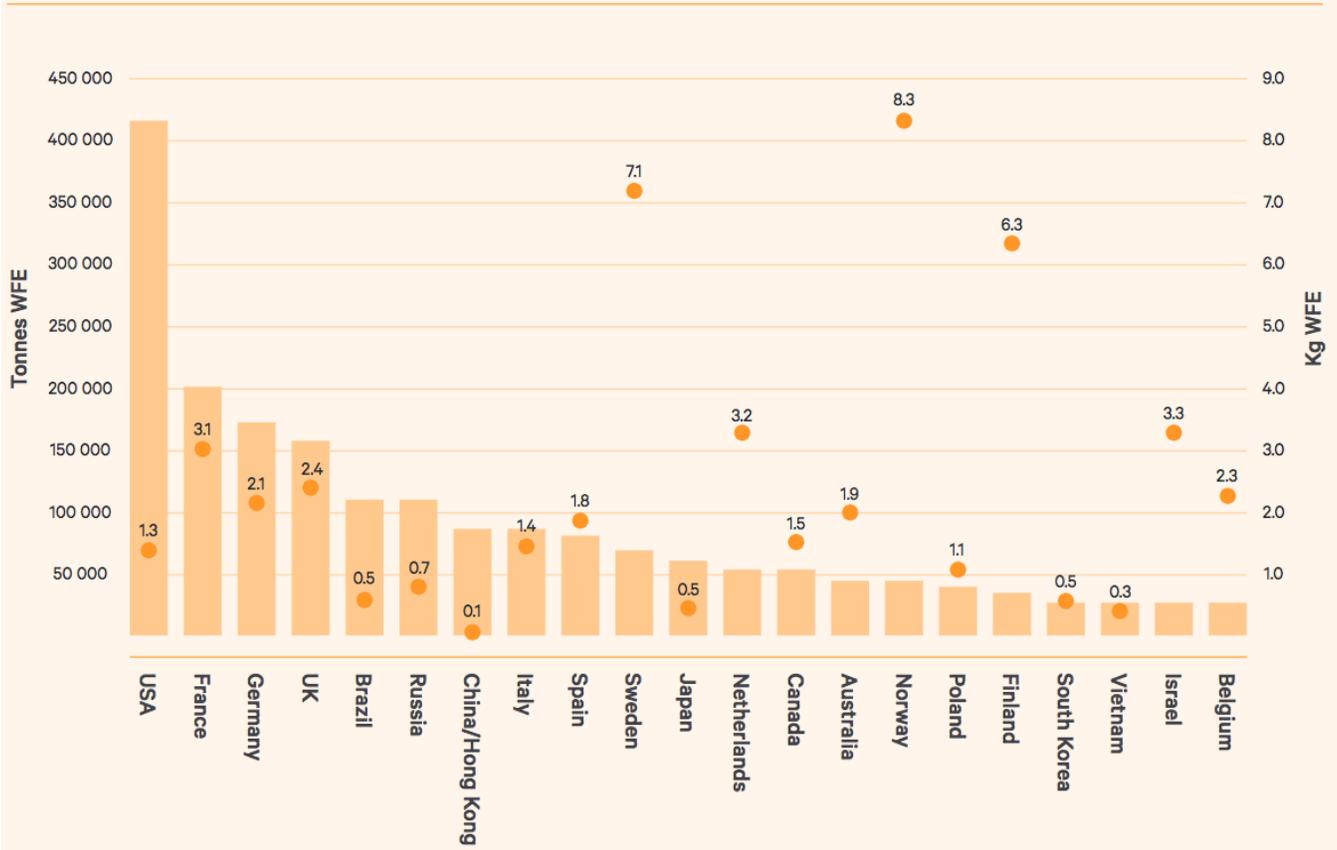
(Source: Marine Harvest site)

As we mentioned earlier, consumer eating habits are changing rapidly, with rapidly growing demand for healthier choices. MHG stands to continue benefiting from this trend, as Americans, in particular, are eating more salmon than ever.

But here's a tantalizing chart, which shows that the *US is the biggest market for salmon consumption*, BUT, look at our per capita consumption - its tiny vs. other developed nations, which means that the US market is nowhere near being saturated - in fact, there's still huge growth potential here.

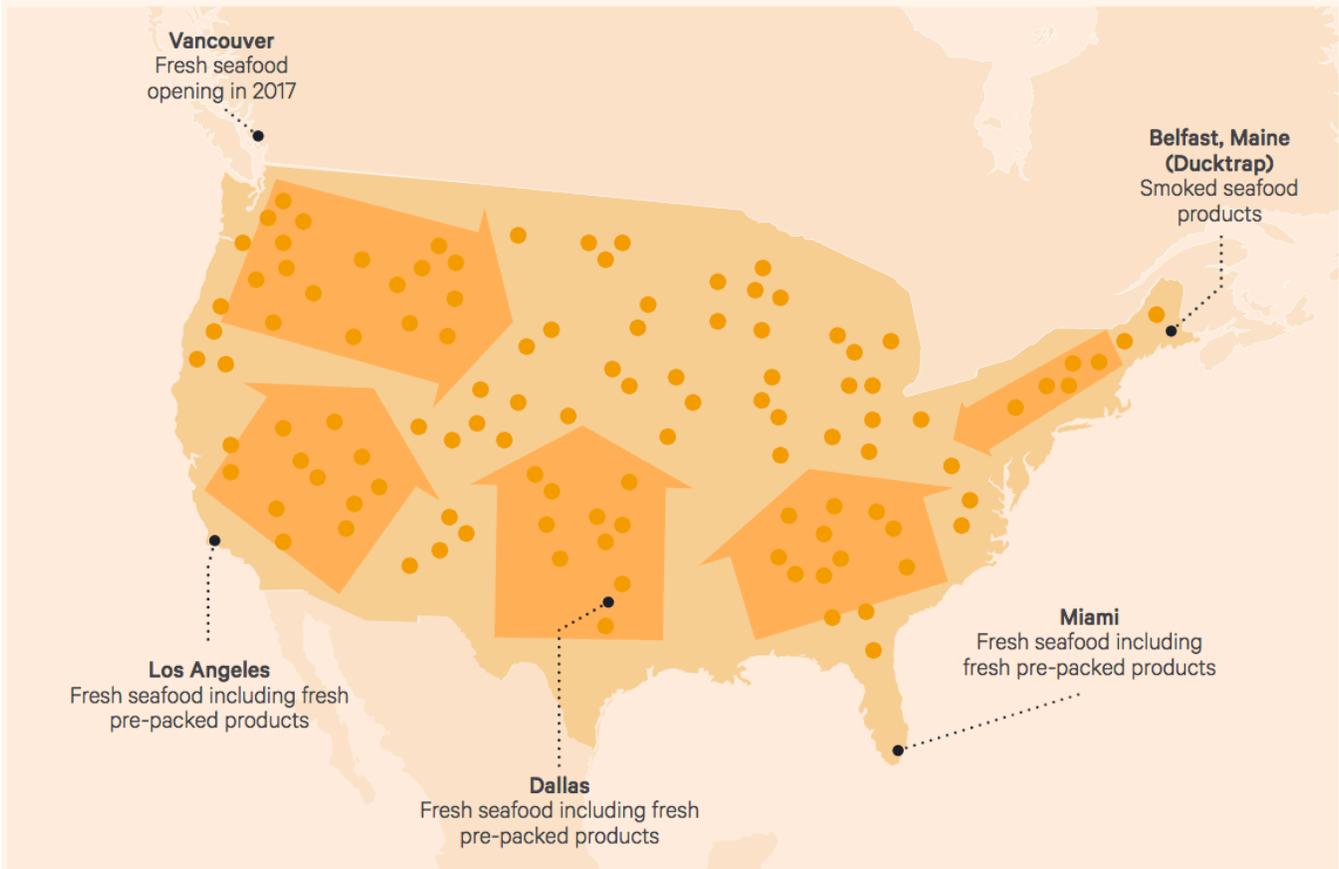
Even though the US is the world's biggest market, Americans still eat 58% less salmon than the French, 38% less than the Germans, and 84% less than the Norwegians:

MARKET SIZE AND CONSUMPTION PER CAPITA



As the world's largest producer of Atlantic salmon, Marine Harvest is uniquely positioned to benefit from the US market, with its strong presence in retail outlets:

MARINE HARVEST'S CONSUMER PRODUCT'S PRESENCE IN NORTH AMERICA



Dividends: Marine Harvest *pays a variable quarterly dividend* - its most recent payout for US shares was \$.355. The trailing 12 month total payout was \$1.34. Their total dividend/ADR shares paid jumped from \$.63 in 2015, to \$1.01 in 2016, a 60% surge, due to very strong prices in the world's salmon markets.

DIVIDENDS PAID	2017: Q1 & Q2	2016	2015	2014	2013	2012
MHGVY	\$0.685	\$1.010	\$0.630	\$1.250	\$0.370	NA
WFM	\$0.28	\$0.54	\$0.52	\$0.48	\$0.60	\$0.56

We track MHGVY's current dividend yield and price in the Consumer Discretionary section of our [High Dividend Stocks By Sector Tables](#).

Whole Foods upped its dividend by 29% this month, from \$.14 to \$.18, and it goes *ex-dividend* on 6/28/17. WFM's forward yield is 2.2%.

Ticker	6/15/17 PRICE PER SHARE	QUARTERLY Dividend	Trailing Dividend Yield	Payout Ratio	Next Ex- Dividend Date (approx.)	Next Payout Date (approx.)
MHGVY	\$17.20	\$.355*	7.79%	55.68%	8/25/17	8/31/17
WFM	\$33.99	\$0.18	2.12%	43.30%	6/28/17	7/11/17

Options: MHGVY doesn't have US options, but WFM currently has attractive calls and puts. We've added this August trade to our [Covered Calls Table](#), where you can see more details for this and over 20 other income-producing trades.

This trade has one \$.18 dividend payout in its 2-month term, but it also has a \$1.02 call bid premium, which gives you a 17%-plus annualized yield:

STOCK SYMBOL	6/14/17 PRICE PER SHARE	DIVIDEND PER SHARE \$ PAID PRIOR TO CALL EXPIRATION	ANNUAL'D DIVIDEND YIELD %	CALL OPTION EXPIRATION DATE - SYMBOL	CALL STRIKE PRICE	CALL BID PREMIUM	ANNUAL'D CALL YIELD	TOTAL ANN'D STATIC YIELD	POTENTIAL ASSIGNED YIELD	ANNUAL'D TOTAL POTENTIAL YIELD
HAIN	\$35.42	\$0.00	0.00%	8/19/2017	\$36.00	\$1.80	28.54%	28.54%	9.20%	37.73%
WFM	\$35.44	\$0.18	2.85%	8/19/2017	\$36.00	\$1.22	19.33%	22.18%	8.87%	31.06%

Our [Cash Secured Puts Table](#) now includes this August WFM trade. The \$33.00 put strike pays a hefty \$1.61 premium, for a 27.82% annualized yield, and a \$31.39 breakeven:

6/15/17 PRICE PER SHARE	DIVIDEND PER SHARE \$ PAID PRIOR TO CALL EXPIRATION	ANNUAL'D DIVIDEND YIELD %	PUT OPTION EXPIRATION DATE - SYMBOL	PUT STRIKE PRICE	PUT BID PREMIUM	ANNUAL'D PUT YIELD	100% CASH RESERVE AMOUNT	BREAKEVEN	52-WEEK LOW
\$33.99	\$0.18	3.02%	8/19/2017	\$33.00	\$1.61	27.82%	\$3,300.00	\$31.39	\$27.67

Performance: WFM has outperformed the market year-to-date, and over the past quarter, whereas MHGVY has lagged, even though it had record earnings in Q1 '17, driven by all-time high salmon prices. Both stocks have gained approx. 9% over the past year.

Ticker	6/15/17 PRICE PER SHARE	Performance (Month)	Performance (Quarter)	Performance (YTD)	Performance (Year)	52-Week High	52-Week Low
MHGVY	\$17.20	-0.86%	7.43%	-4.17%	9.00%	-6.93%	14.59%
WFM	\$33.99	-2.72%	22.71%	15.25%	9.01%	-11.23%	22.84%

Valuations: Marine Harvest has a much lower P/E than Whole Foods, but a higher Price/Sales, and EV/EBITDA.

Ticker	Company	Industry	Country	Market Cap	P/E	Forward P/E	P/S	P/B	EV/EBITDA
MHGVY	Marine Harvest Group ASA	Seafood Mfg/Dist.	Norway	\$7.93B	14.12	11.30	2.2	3.38	9.22
WFM	Whole Foods Market, Inc.	Organic, Natural & Specialty Food Grocery Stores	USA	\$11.34B	28.2	25.69	0.71	3.36	8.68

Financials: Unsurprisingly, Marine Harvest has much higher margins than Whole Foods - retail food margins are notoriously low. It also has much higher ROA and ROE ratios, but Whole Foods has a lower debt load.

Ticker	Return on Assets	Return on Equity	Total Debt/Equity	NET DEBT/EBITDA	Operating Margin
MHGVY	14.26%	30.40%	0.43	0.88	24.60%
WFM	6.30%	12.30%	0.31	0.12	4.50%

Summary: These are just 2 vehicles via which investors can gain entry into the specialty foods universe - we'll be covering other, lesser-known specialty and organic foods stocks in the future, as we keep tabs on this rapidly growing industry.

All tables furnished by DoubleDividendStocks.com, unless otherwise noted.

Disclosure: Author owned shares of MHGVY at the time of publication.

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