



Which Stock Should You Fill Up On: Loblaw or Weston?

Description

Loblaw ([TSX: L](#)) and majority owner **George Weston** ([TSX: WN](#)) are two of the most recognizable names in the Canadian food retailing business. And of course their fates are intertwined. But which one is most deserving of a spot in your portfolio? Below we take a look at both options.

1. Loblaw

Loblaw is Canada's largest grocer, a lead it is widening this year with its purchase of Shoppers Drug Mart. Loblaw also has other assets that could pay off in a major way down the road. This includes its PC Financial subsidiary, its 82.2% stake in **Choice Properties**, and the customer data it now possesses through the Shoppers Optimum program.

It is important to remember that the grocery business in Canada is relatively secure, despite all the newspaper stories about the "grocery wars". While price competition is intensifying, it isn't nearly as fierce as the headlines suggest. American competitors such as **Walmart** are at a significant disadvantage without access to the best real estate locations. And online shopping isn't as much of a threat in grocery as it is in other forms of retailing.

So Loblaw is a relatively safe option for your portfolio, and not too expensive, trading at 15 times forward earnings. The company also just raised its dividend, and now yields just over 2%.

2. George Weston

George Weston owns 63% of Loblaw, but has other assets as well. It also owns a 5.4% interest in Choice Properties, and a 100% interest in Weston Foods, which specializes in baked and frozen goods.

The total market capitalization of Weston is just over \$10 billion, while its stake in Loblaw alone is worth \$8.5 billion. So an investment in Weston is very similar to an investment in Loblaw itself. To provide confirmation, the two companies' stock prices tend to move together. But this year Loblaw shares have returned over 14%, while Weston has returned less than 6%. What's going on?

The main issue has been with Weston Foods, which is facing heightened competition from the likes of **Grupo Bimbo**

, which has just acquired Canada Bread. Furthermore, more and more people are turning away from baked goods in favour of healthier options.

So which one should you buy?

At this point, Weston might look like the bigger bargain. But it is facing headwinds with very unpredictable outcomes. And that takes away the whole point of investing in food companies. So if you're looking for a strong stable company, with earnings you can count on, Loblaw is a great choice. If you're looking for more adventure, you're better off looking in a different sector altogether.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:WN (George Weston Limited)

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