



1 Great Retailer to Buy

Description

The TSX is dominated by financials, resources, and companies that continue to issue equities to the detriment of shareholders. It is much harder in Canada to find stock recommendations compared to the U.S. because of both its size (our market is 10 times smaller) and the relatively more prevalent dual-share capital structure (all those B shares).

Therefore, when I do find a company that exhibits a strong business model, strong management team, and is a good steward of capital, I take note. One company that fits those criteria is **Metro** ([TSX: MRU](#)).

Strong business model

The retail business is heavily localized. In addition, humans are relatively habitual creatures, so it's unlikely that the retail grocery business in Canada is going away. While **Walmart** has been expanding in Canada and is finding success in the industry, it is mostly expanding in rural areas where it is easy to find real estate. Metro's strong urban position will remain years to come – including benefiting from the general positive population shift from rural to urban areas.

Strong management team

One can really judge a management team by several metrics, including consistent earnings per share (EPS) and return on equity. Metro has been increasing EPS for the past 10 years, including the 2008-2010 economic recession. At the same time, because it was able to grow EPS, it also managed to grow dividends every single one of those years. In addition, Metro's return on equity is relatively stable, swinging between about 15% to 21%, again, a sign of a stable business.

Good steward of capital

Finally, my view is that *consistent* share buybacks is a strong indication that the company is a good steward of capital. Metro's management team has continued to buy back shares for the past few years, something not many Canadian companies have done.

For one of the best Canadian companies around, you don't just need to look at financials or resources; Metro is right around the corner.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:MRU (Metro Inc.)

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