



2 Stocks for the Long-Term Investor: Metro, Inc. and Bank of Montreal

Description

The stocks I want to tell you about today are often considered boring. On a good day, they move maybe 1% or 2%, never come out with amazing new products, and are never the talk of the town, but they do one thing well: they make money and lots of it.

For the long-term investor, isn't that exactly what we want? We can buy these stocks and not have to worry about the price on a weekly basis and simply comfort ourselves that in 10 years the odds are in our favour that we'll be better off financially.

Here are two stocks that fit the bill perfectly.

Metro, Inc.

Canada's smallest grocer is also the best operator and my personal favourite. Throughout the years, management has executed with brilliance on many fronts including store expansion, mergers and acquisitions.

The results are there with net earnings up 9.7% last quarter on a year-over-year basis, and same-store sales — a crucial metric in the retail sector — was up 1%. Considering the increased competition from **Wal-Mart Stores, Inc.** ([NYSE: WMT](#)) and a failed attempt from **Target Corporation** ([NYSE: TGT](#)), we can rejoice in the positive results from **Metro, Inc.** ([TSX: MRU](#)).

I like how management is conservative in its expansion plans while not sacrificing growth and integration. Rather than spending huge sums of capital to buy a company like Shoppers Drug Mart Corporation just as **George Weston Limited** ([TSX: WN](#)) did, Metro simply bought up a small store base in Quebec and is slowly building it out. I like these types of acquisitions because there are fewer chances of a clash of cultures between the two entities.

Management seems positive about the future of the company and increased its dividend 20% in the last quarter. The 1.7% dividend yield will not allow you to retire any time soon, but this is why we have our second stock.

Bank of Montreal

Canada's oldest bank is our second long-term investment and this company has seen its share of bull and bear markets since its inception in 1829. Nevertheless, it's still standing strong and has never missed a dividend payment in its entire history.

Bank of Montreal ([TSX: BMO](#))([NYSE: BMO](#)) is still showing great signs of growth and profitability with revenues growing at 12% CAGR — compounded annual growth rate — and net income at 21.1% CAGR as of the last quarter.

These are impressive numbers considering that we are currently in a low-interest rate environment. Can you imagine how much profit BMO will generate when rates creep back up?

The company is also in a strong financial position with a CET1 — ratio of common equity to Tier 1 capital — in the 9% range as of the last quarter. This is enough to withstand any economic recession considering how the banking sector is set up in Canada. Our financial institutions have many more restrictions when it comes to risky loans and financial leverage.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:TGT (Target Corporation)
3. NYSE:WMT (Wal-Mart Stores Inc.)
4. TSX:BMO (Bank Of Montreal)
5. TSX:MRU (Metro Inc.)
6. TSX:WN (George Weston Limited)

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