

## Consider Loblaw Companies Limited and Magna International Inc. for Income and Returns

### Description

Two Canadian corporate giants have new plans on the table to drive shareholder returns. Here's a look at what each company is doing and why they are worth serious consideration as an income stock.

#### 1. Loblaw Companies Limited

With its Shoppers Drug Mart Corporation acquisition, **Loblaw Companies Limited** ([TSX: L](#)) is now an amalgam of the number one food retailer in Canada and the number one pharmacy and beauty retailer.

##### Box stores

Loblaw has opened box stores in Calgary, Winnipeg, and Hamilton. This store concept is a derivative of its well-known No Frills stores. The difference is that the box stores are less than half the size of the No Frills concept. Box stores have a narrower product variety and lower prices.

The strategy behind this concept, with less square footage, is that a box store can open in strip plazas. This provides customers quick access and a faster grocery shopping experience, while offering lower prices.

##### A new strategy at Shoppers Drug Mart

Shoppers Drug Mart is expanding its foray into retail food. It offered a limited food line, but is now refining this program. The pharmacy group is testing more fresh foods in its stores (meat, vegetables, and fruit).

Mike Motz, Executive VP and Chief Merchandising Officer of Shoppers Drug Mart, said, "The biggest hurdle is having customers believe that they can get fresh food at a pharmacy."

Six stores in Toronto are getting ready for the official launch of the pilot on September 2, 2014.

#### 2. Magna International Inc.

With Q2 2014 results beating expectations, **Magna International Inc.** ([TSX: MG](#))([NYSE: MGA](#)) has raised its total sales guidance for the year to \$35.6-37.3 billion.

##### Focus on new acquisitions

Bloomberg reported that Magna International is "considering purchases of as much as \$4 billion as it distances itself from debt-averse founder Frank Stronach."

According to the Bloomberg report, Magna has not engaged in an acquisition of over \$500 million in 10 years. The company is now willing to take on debt to finance transformative acquisitions.

CEO Don Walker told Bloomberg that the company would use cash for a small acquisition. However, Magna could also take on debt or issue equity if the target was huge. He said, "We have complete flexibility. We have good discussions at the board."

### **Innovative products**

Magna International is focusing on giving its customers the innovative products they require. The first all-thermoplastic, fully recyclable liftgate module for the 2014 Nissan Rogue is currently in production in North America. This full liftgate assembly is 30% lighter than stamped steel systems. Magna has unveiled and introduced a modular liftgate using composite structures in Europe, with a European customer.

In addition, Magna has an initiative with Ford. It has introduced a multi-material lightweight vehicle structure concept. It utilizes advanced material solutions to attain an almost 25% weight reduction in the vehicle body, versus the current production vehicle. This particular concept's foundation is on the production version of the 2013 Ford Fusion.

Loblaw Companies Limited and Magna International Inc. have strategies in place to drive income for their shareholders. Consider these companies as possible additions to your portfolio of dividend-paying stocks.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:MGA (Magna International Inc.)
2. TSX:L (Loblaw Companies Limited)
3. TSX:MG (Magna International Inc.)

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