



## The Falling Loonie Sends Consumers Food Shopping

### Description

At below US77 cents, the loonie's value has declined to levels last seen over a decade ago. The drop has forced most consumers to spend more on food, particularly on fresh foods like fruits and vegetables.

How can you play the recent surge in grocery spending?

### Metro Inc. is the best way to go

One of the more recognizable brands in the industry, **Metro Inc.** ([TSX:MRU](#)) operates under the banners Metro, Metro Plus, Super C, and Food Basics. The company also operates approximately 250 drugstores and pharmacies under the banners Brunet, Clini Plus, Pharmacy and Drug Basics.

With net profit margins of 4.12% and a return on equity of 17.55%, Metro Inc. is one of the best run companies in the industry.

### Focused on products with higher profits and outsized growth

According to the CEO of Metro, which operates nearly 800 food stores, "traffic, basket, and tonnage are all up."

Metro has been adding more fresh food at many stores to meet shifting consumer tastes for healthier eating choices. Fresh food can also help generate higher profits as the supermarket has to share less of the revenues with consumer packaging companies. According the company's CEO, the strategy is working.

"Yes, we incur more expense and food waste to deliver that. But net-net we are able to increase margins, as you saw in our numbers."

### Benefiting from weak competition

Metro is the second-largest grocer in both Ontario and Quebec after **Loblaw Companies Limited** ([TSX:L](#))

). Fortunately for Metro, Loblaw is facing struggles of its own.

Last month, Loblaw announced that it will close 52 weak-performing stores over the next year in an effort to improve profitability. Its Joe Fresh standalone stores will be included in the square footage slashing.

While the company expects that the store closings will ultimately help profitability, it will reduce sales over the short term by \$300 million. That's \$300 million of potential sales for Metro to poach.

Loblaw is not alone. Last year, **Sobeys Inc.**, the country's second-largest grocer, said it would close 50 of its stores. Target Canada, which had an in-store grocery component, shut all 133 of its outlets since filing for bankruptcy protection in January.

### How long will it last?

Back in 2009 when the loonie fell from US\$1.04 to only US\$0.79, it took less than six months for it to surge back up to US\$1.00 territory. Afterwards, however, it experienced a relatively stable high for almost four years.

Will the latest loonie drop persist, boosting earnings for Metro? Only time will tell.

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1. TSX:L (Loblaw Companies Limited)
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