



## Metro Inc. vs Loblaw Companies Limited: Which Is the Better Investment?

### Description

**Metro Inc.** ([TSX:MRU](#)) and **Loblaw Companies Limited** ([TSX:L](#)) comprise the two largest operators of grocery stores and pharmacies in the country. While both have enjoyed relative success and growth over the past few years, investors looking to add one of these companies are left wondering which company is the better investment for their portfolio.

Let's take a look at both of these companies to find out.

### The case for Loblaw

Loblaw currently trades just shy of \$71 and is up by 1.5% over the past three months. Year-to-date, the company is outperforming the market and is up by nearly 14%. Expanding this out to a full calendar year extends this growth to 21%. Long-term investors will rejoice in seeing the five-year price of Loblaw has increased by nearly 67%.

Loblaw pays a quarterly dividend of \$0.25 per share at a yield of 1.41. The company has steadily increased the dividend payment over the years, with the most recent increase coming in the form of a 2% increase earlier this year.

In the most recent quarter, Loblaw reported consolidated sales of \$10.3 billion, representing an increase of 2.2% for the same quarter last year. Both the drug and food retail segments of the company reported moderate growth over the last year, coming in at 4.2% and 3.7%.

Loblaw managed to further decrease debt during the quarter by over \$320 million—this leaves just over \$350 million of remaining debt from the acquisition of Shoppers Drug Mart.

Loblaw is constantly expanding, looking both at new markets, and closing up unprofitable locations where necessary. Recently, the company announced that 52 unprofitable locations would be closed. The company has over 20 brands, and many of these are located in close proximity to one another, particularly locations obtained through acquisitions, such as Shoppers.

## The case for Metro

Metro currently trades at just over \$37, below the 52-week high of \$38.17. Over the past three months, the stock is up by 8%. Year-to-date, the stock has outperformed the market by nearly 48%. Year-to-date the stock is up by 20%, and looking at the longer term, the stock is up by over 240% over the past five years.

Metro pays a quarterly dividend of \$0.117 per share at a yield of 1.25%. Metro has a long history of increasing this dividend. It has increased the dividend consecutively for over 20 years and is likely to continue that trend.

In the most recent quarter, Metro reported net income of \$163.5 million, which was an increase of 13% over the same quarter in the previous year. Additionally, revenues for the quarter were up by over 6% to \$3.81 billion over the same quarter in the prior year.

## And the better investment is...

Both of these companies represent great opportunities for investors seeking long-term growth. In my opinion, Loblaw is the better investment of the two. The company has a stronger and more diverse brand portfolio and is actively pursuing expansion on multiple fronts, making it a better long-term choice.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:MRU (Metro Inc.)

## Category

1. Investing

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