



Loblaw Companies Limited Is a Great Buy

Description

While the economy is cooling off in the oil industry, grocery chains are heating up and recording record quarters. **Loblaw Companies Limited** ([TSX:L](#)) is one such company. It recently reported quarterly results that surpassed all expectations.

Let's take a look at how Loblaw did and why you should consider buying into the company.

How is Loblaw doing?

Loblaw currently trades at just over \$70, and is up by 13% year-to-date. Longer term, the stock is up by 70% over the past five years. The company has a quarterly dividend of \$0.25 per share, which has steadily risen over the years and will likely continue to do so.

In the most recent quarter, Loblaw reported earnings of \$166 million, an increase of 17% for the same quarter last year. Same-store sales were up by 3.1%. Total revenue for the quarter was up by 2.6%, coming in at \$13.95 billion.

The drug sector, which includes Shoppers Drug Mart, did equally well. It experienced same-store growth of 4.9%. Same-store pharmacy sales were up by 3.5%, and front-store sales were up by 6.2%. The front-store sales can be traced to the addition of President's Choice and No Name products into Shoppers locations.

The company is now looking to add shareholder value and expand further into e-commerce.

Buy your groceries...online?

Consumers have been the subject of a variety of online shopping options in many years. One area that has remained relatively offline has been that of groceries—at least until recently.

With a number of large retail and online stores pushing into the grocery segment, Loblaw is now looking to embrace the rising popularity of online shopping by adopting new options for online shoppers.

One such option is the “click-and-collect” service that allows customers to place their orders online, and then proceed to the store to pick them up. The service is currently available in parts of Ontario, Edmonton, Vancouver, and Kelowna.

The company is also considering expanding the service into the Shoppers Drug Mart chain, which has gained popularity since being introduced. In the most recent quarterly call, Loblaw president Galen Weston commented on this potential expansion: “I think it’s fair to say those points of convenience in the Shoppers Drug Mart network represent a meaningful opportunity for us.”

In my opinion, Loblaw remains one of the better options available to investors seeking long-term growth. The company is in a period of growth and is continuing to push the envelope in terms of new revenue streams and technology. With a consistent history of raising dividends and a commitment to increasing shareholder value, this is one company investors should buy and hold for long-term growth.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

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