



Loblaw Companies Limited Is the Best Retail Stock to Own

Description

You can't mention operators of grocery stores and pharmacies in Canada without thinking about **Loblaw Companies Limited** ([TSX:L](#)).

Loblaw is the largest grocery and pharmacy operator in the country and has nearly 20 different brands of products and services that consumers are not only well aware of but actually seek out.

Here are a few reasons why investors should consider adding Loblaw to their portfolios.

Loblaw is experiencing incredible growth and financial strength

In the most recent quarter, Loblaw reported a 17% increase in earnings over the same quarter last year, coming in at \$166 million. Same-store sales and total revenue were also up by 3.1% and 2.6%, respectively.

Turning to the drug sector of the company, same-store growth experienced an increase of 4.9%, while same-store pharmacy sales and front-store sales were up by 3.5% and 6.2%. Front sales can be traced back to the addition the company's popular President's Choice and No Name branded products into Shoppers Drug Mart locations.

Loblaw shows considerable growth over the long term

Loblaw is currently priced at \$66.63. The stock is midway between the 52-week high of \$74.45 and the low of \$58.03. Year-to-date, the stock is up by 7.29%, and extending this out over a longer time frame shows an impressive increase to 64.29% over the past five years.

If that yearly number doesn't sound too impressive, just keep in mind that for much of the year the economy was in a recession and Loblaw has outperformed the TSX.

Loblaw currently pays a quarterly dividend of \$0.25 for a yield of 1.50%. While the yield is not the highest on the market, it is interesting to note that Loblaw has increased the dividend for the past four years and is likely to continue to increase it again in 2016.

Loblaw's growth policies continue to impress

Loblaw completed a masterstroke of a deal when the company acquired Shoppers Drug Mart. In doing so, Loblaw, which is already known for owning some of the most iconic brands in the country, acquired arguably the strongest and most recognizable pharmacy brand.

The real brilliance of this fusion of brands is that the smaller Shoppers locations, which now carry President's Choice products, has become the default place for consumers to go to when only a few small items are needed, thereby bypassing larger supermarkets altogether.

The company is now turning that same growth policy towards the online marketplace. Grocery shopping remains a part of the economy that is largely still offline, but Loblaw is attempting to change that.

Loblaw's new "click and collect" service is proving to be popular among consumers. The service is currently offered in Ontario, Edmonton, Vancouver, and Kelowna and allows customers to place online orders and then proceed to the store to pick up the items. The potential for this service to expand into the Shoppers territory is immense.

In my opinion, Loblaw is not only a great innovative company, but one that shows tremendous potential for future revenue and growth.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

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