Investors: Metro, Inc. Shows Positive Results and Strong Growth

Description

Metro, Inc. (TSX:MRU) is the third-largest grocer in the country with over 600 stores across both Quebec and Ontario and with a variety of well-known brands, including Food Basics, among others.

Competition between grocers has been heating up recently, creating what some are calling the grocery price wars.

Metro is advancing in the grocery price wars

By many accounts, grocers are in a bit of a pricing war among themselves and with consumers. The perfect storm of currency fluctuations and economic weakness has created the environment whereby Metro and others are forced to aggressively price some food items that have been rising this year.

As of March this year, Statistics Canada noted that food prices were up by 3.6% year over year. Fresh vegetables were up by 14.9% in the same period, and fruit prices were also up by 11.3%.

Metro has been able to lower prices thanks in part to realized savings from cost cuts. The company cited the ongoing need to be competitive on pricing, striving to be at or near the "good price" for goods. Nearly half of the merchandise being sold by Metro now falls under some variant of promotion or sale, and the company does not see this trend changing anytime soon.

The price cuts have extended to Metro's competitors as well. Sobeys recently slashed prices on 8,500 items in stores across Quebec by up to 7% last month after cutting prices in the company's Safeway-branded stores in the west of the country.

Quarterly results and outlook look are positive

In Metro's most recent quarter, the company posted $124.9 million in earnings, or $0.51 per share for the quarter, representing a noticeable improvement of 11.9% over the $11.6 million, or $0.43 per share posted for the same quarter last year.

Sales rose as well, coming in at $2.88 billion for the quarter, bettering the $2.71 billion from the same quarter last year. Even more impressive, same-store sales posted a 5% increase over the same quarter last year. Analysts view this increase as proof of Metro capturing additional market share from competitors.

Metro also pays out a quarterly dividend, which was recently raised by 20% to $0.14 per share, giving the stock a yield of 1.3%. While dividend income is always more than welcome, investors should take note that the primary focus of investing in Metro should be for the growth, not the dividend.

One positive signal from these results is the fact that Metro's growing popularity and sales come at a time when the market is under increasing competition from the grocery expansion of **Wal-Mart Stores, Inc.** into Quebec.

Metro's improving results, especially in the face of difficult market conditions and increasing competition, are all the more reason to be optimistic about the stock. In my opinion, Metro represents a smart investment option for those seeking to diversify their portfolios.

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