



Have You Considered Loblaw Companies Limited Recently?

Description

There are few companies in the market today that have as strong a brand portfolio as **Loblaw Companies Limited** ([TSX:L](#)).

The food and pharmacy company is the de facto leader in the Canadian market based on size and brand penetration. Loblaw has over 2,400 stores scattered across the country that offer a variety of products in a dizzying array of brands, including the top consumer brands in the country: Life, No name, and President's Choice.

What makes Loblaw a great fit for your portfolio?

First and foremost, the sheer size and wide range of offerings the company offers provide a sizable moat not only against competition, but also against market fluctuations. Loblaw has done incredibly well in branding both the grocery and pharmacy segments, even blurring the lines in recent years by allowing President's Choice products to surface in Shoppers locations, which has been wildly successful.

In terms of performance, in the most recent quarter Loblaw realized revenue of \$14,143 million and an increase of 1.4% over the same quarter last year. Adjusted EBITDA for the quarter came in at \$1,143 million — an 11.8% improvement over the same quarter last year.

In terms of net earnings attributable to common shareholders, Loblaw reported \$419 million, or \$1.03 per common share, representing an increase of \$253 million, or \$0.68 per share, over the same quarter last year. The significant increase is largely attributed to improvements across the retail, financial, and choice products segments of the company.

The pharmacy segment of the company also showed improvement with a 3.9% increase in sales with strong same-store growth.

Overall, it was a strong quarter for Loblaw, beating analyst forecasts.

What about a dividend?

Potential investors of Loblaw may initially look elsewhere for dividend income, especially when considering that the \$0.26 per share quarterly dividend offered by Loblaw amounts to a yield of just 1.5%, but there are some real advantages to be realized.

The payout ratio of that dividend is significantly lower than other companies, which not only means there's room for growth and reinvestment, but also that the dividend is sustainable over the long term.

Loblaw has also increased the dividend in each of the past five years, setting a precedent that is sure to continue over the next few years.

But perhaps the best part of the dividend is the reinvestment opportunity it poses over the long term. Loblaw's share price has increased by over 6% in the past year and by over 85% in the past five years.

Suddenly that 1.5% yield doesn't look too bad.

Is Loblaw a good investment?

In my opinion, Loblaw represents a great opportunity for those investors looking to diversify their portfolios with a stock that is poised to grow over the long term.

While some may argue that Loblaw is priced a little high at the moment, prospects for the company have never been brighter, which has caused analysts to slap a price target of up to \$85 and a "Buy" rating on the stock.

CATEGORY

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