Investors Take Notice: Metro, Inc. Consistently Delivers

Description

One company that is growing and creating shareholder value regardless of the price of oil, the economy, and consumer confidence is **Metro, Inc.** (TSX:MRU). As the consumer staples sector is, by definition, relatively immune to the ups and downs of the economy due to the nature of the products being sold, this is an attractive feature given the uncertainty in the marketplace at this time.

On a company-specific level, Metro has shown consistency and stability over the last few years, as the company has consistently meet or beat expectations. Furthermore, the company has a long track record of dividend increases, which also bodes well for investor. The annual dividend was increased by 16% to $0.65 for a dividend yield of 1.65%. These are thing that should lead to outperformance of the stock, given the market's focus on high-quality defensive names in the current environment.

And Metro's **Alimentation Couche Tard Inc.** (TSX:ATD.B) investment continues to pay off. Metro's share of Alimentation Couche Tard's earnings was $23.9 million in the quarter after a $91.1 million contribution in 2016 and a $64.3 million contribution in 2015.

On to some more interesting financials.

In the latest quarter, same-store sales increased 0.7% despite food deflation of 1% and a very competitive environment. Metro has a very healthy ROE of 21.4%, a low total-debt-to-capitalization ratio of 32.5, and is attractively valued at under 17 times 2017 expected EPS, which is expected to increase by 7.5%. Free cash flow (excluding working capital) was $140.5 million in the latest quarter (Q1 2017) versus $132.5 million in the same quarter last year.

The company has been able to increase EBITDA margins by 20 basis points in the first quarter of 2017, as gross margins increased 1.4% and cost of goods sold increased a mere 0.1% — all this despite a difficult environment that has been highly competitive and deflationary.

Let’s move on to further compare some of Metro’s financials with those of **Loblaw Companies Limited** (TSX:L). Loblaw is achieving an ROE of a meagre 6.92%, has an expected 2017 EPS growth rate of 9%, and is trading at a hefty 31 times price to earnings ratio. And lastly, Loblaw’s balance sheet is stretched with a total-debt-to-capitalization ratio of 47%.

Key to me, and something that bears repeating, is the fact that Metro has sector-leading return metrics with a return-on-invested-capital ratio of almost 14% and an ROE of over 21%. These numbers are very key in determining which companies are generating shareholder value, and they look good for Metro, leading me to be bullish on this stock.

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Date
2025/08/26
Date Created
2017/02/01
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