4 Reasons to Consider Loblaw Companies Limited

Description

The best investments are often those that offer a compelling service that we as consumers can't do without. Utilities are a prime example, as they offer a service that we not only take for granted but are required to keep on purchasing.

Another less obvious but just as important example is in the consumer staples sector and, more specifically, **Loblaw Companies Limited** (TSX:L)

Loblaw is the largest grocery and pharmacy chain in the country with over 2,400 locations, and one of the strongest brand portfolios of any company. In all, Loblaw has over 20 brands including President's Choice, No Name, Joe Fresh, and Life.

What exactly makes Loblaw a great investment to consider for your portfolio? Here are four reasons why you should consider Loblaw

1. Loblaw has a massive defensive moat

One of the truly amazing things about Loblaw is the defensive moat the company has in place. Loblaw has expanded over the years into different segments of the economy, far beyond the core consumer staples sector. The company offers financial products, has clothing stores, and owns the largest and most popular pharmacy chain in the country.

In short, consumers can never wander too far from Loblaw. Acquiring Shoppers Drug Mart has allowed Loblaw products to be placed on shelves of Shoppers locations, giving the company even greater exposure.

2. Loblaw has incredible brand power

Those products are reason enough to consider Loblaw. Unlike other competitor brands that are merely meant to replicate national brands at lower price points, Loblaw has taken an alternative approach toits line of brands: it not only matches national brands, but surpasses them in terms of quality, offerings, and, for the most part, price.

In doing this, Loblaw has become a case study on the matter of supermarket-owned brands, which other chains around the world are now attempting to replicate.

Loblaw-owned brands such as President's Choice and Joe Fresh command some of the most loyal customers, and have an array of fans in the U.S. and elsewhere that will make the journey to stock up on Loblaw-owned products.

3. Loblaw has strong results and growth prospects

In the most recent quarter, Loblaw posted revenue of $14,143 million, which was a subtle increase of 14% over the same quarter last year. Adjusted EBITDA saw an 11.8% improvement over the same quarter last year, coming in at $1,143 million.

From an earnings perspective, Loblaw, once again, didn't disappoint. Net earnings attributable to common shareholders for the quarter came in at $419 million, or $1.03 per common share, translating into a massive $253 million, or $0.63 per share increase, over the same quarter last year. The pharmacy sector also had a great quarter, marking 3.9% increase in sales, fueled by strong same-store growth

In short, Loblaw had a great quarter, beating analyst expectations.

4. Loblaw pays a dividend that could compound your growth even further

Loblaw offers investors a quarterly dividend in the amount of $0.26, which, given the current stock price, results in a yield of 1.43%. While this yield is not on par with investments traditionally seen as income generators, the real benefit to investing in Loblaw comes in the form of compounded growth over time.

That's not to say that the dividend hasn't appreciated over time; Loblaw has increased the dividend several times over the past few years and is likely to continue doing so thanks to both the company's strong results and the sustainable payout rate.

In my opinion, Loblaw represents a great long-term investment for those investors seeking long-term growth.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/07/29
Date Created
2017/03/28
Author
dafxentiou