For a Healthy Portfolio, Feed it With Metro, Inc. Stock

Description

Grocery shopping is a significant essential expense that takes a big chunk out of your pockets, but you could fill them up by investing in shares of a grocery retailer. In these times, shares of **Metro, Inc.** (TSX:MRU) look particularly appealing.

Indeed, the stock of Canada's third-largest grocery retailer is trading at a P/E of 18.4, which is low for the sector. In comparison, the P/E of **Loblaw Companies Ltd.** (TSX:L) is much higher at 30.8. Also, it turns out the management of Metro is very effective, with a return on assets (ROA) of 10.20%, and a return on equity (ROE) of 21.63%. Again, it is better than the numbers for Loblaw, which reach a ROA of only 3.01%, and a ROE of only 7.96%.

Impressive second-quarter results

On April 25, Metro reported 2017 second-quarter results, which ended on March 11. During this quarter, Metro generated sales of $2,902.4 million, up 0.7% compared to $2,882 million for the same quarter last year. The grocery retailer also increased its profits and beat analysts' estimates. Indeed, net earnings for the second quarter of 2017 were $132.4 million, or $0.56 per share, an increase of 6% from $124.9 million or $0.51 per share for the second quarter of 2016. According to **Thomson Reuters** data, the average analyst estimate was $0.53 per share.

Those results are impressive, considering Metro generated those numbers in a background of lower food prices and intense competition. The effective management and strong cost control explain this growth. Thus, the company was able to lower operating expenses as a percentage of sales.

In addition to delivering better than expected earnings, Metro continues to increase its dividend. Indeed, on April 24, the corporation's board of directors declared a quarterly dividend of $0.1625 per share payable on June 15, an increase of 16.1% over the dividend declared for the same quarter last year.

More growth is coming

Eric R. La Flèche, president and chief executive officer of Metro, announced on April 25 that Metro is going to buy the remaining minority interest of Adonis and Phoenicia Products to take their full control. Adonis is a grocery store well implanted in Montreal, and Phoenicia is its food supplier. In 2011, when Metro acquired a 55% stake in Adonis, there were only four stores; there are now 11, and a 12th store is going to open next spring. The demand for ethnic food is increasing, and Metro wants to keep up with the trend. So, this move is in line with the company's desire to continue on its growth path.

Finally, food deflation should ease in the next quarters, so it is going to help Metro as well as other grocery retailers to increase their profits and margins.

With those positive numbers and this optimist outlook for Metro, I would say it is a pretty solid company, and I think it is time to buy some shares to profit from its healthy growth.

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