



## Is Loblaw Companies Limited a Good Investment?

### Description

**Loblaw Companies Limited** ([TSX:L](#)) is an intriguing investment opportunity. Loblaw is the largest pharmacy and grocery chain in the country. It fills a massive void in the consumer staples segment of the economy that we as consumers don't realize we take for granted.

How many times a week do you go to the grocery store for milk, eggs, or some other product you're running low on? Or how about a trip to Shoppers Drug Mart to pick up that thing you need to get on the way home from work?

We may not even realize it, but we need Loblaw in more ways than we realize.

### The grocery wars

Over the past year, the term "grocery wars" has been used in increasing frequency, referring to the increasingly aggressive pricing underway between grocery competitors. Loblaw management recently affirmed their belief that the current flurry of promotional activity targeting customers through aggressive pricing will continue to persist throughout the rest of the year.

The concept is really quite simple. If prices are aggressive enough, customers will flock to the deals and will likely pick up other items while they are in the store, some of which might not be as aggressively priced.

To counter the effects of those prices, Loblaw has been working on increasing efficiencies across the company and looking for cost-cutting synergies that could have an impact over the long term.

So far, the grocery wars haven't eaten away at Loblaw's profit; if anything, the company is seeing improved results that will continue to strengthen what is becoming an incredible moat in the consumer staples segment of the economy.

One area where Loblaw is looking to expand is the company's "Click & Collect" service. Rather than opting for a home delivery service, which would have added costs and time commitments, Loblaw's preferred way to enter e-commerce is to offer customers a way to order their products online and then

come into a Loblaw store to pick up the merchandise. The idea is so simple, it may work and prove to be a determining factor to help kickstart a new period of growth.

### **First-quarter results**

In the most recent quarter, Loblaw posted adjusted net earnings of \$230 million, or \$0.57 per common share, representing an increase of \$37 million, or \$0.10, over the same quarter last year. Revenue for the quarter came in at \$10.4 billion for the quarter, edging up by \$20 million over the same quarter last year.

Same-store sales growth in the drug retail sector saw modest gains of 2.5%, but the same figure for the food retail sector saw a decrease of 2.1% in the quarter. Admittedly, Loblaw noted that some of this slowdown can be attributed to both New Year's and Easter holidays falling outside the reporting period.

Loblaw also hiked its quarterly dividend in the most recent quarter, and it now stands at \$0.27 per share, providing a yield of 1.43%. While this may not be reason enough to invest in the company, once reinvested, those dividends can add up quite nicely.

Is Loblaw a good investment?

Simply stated, Loblaw sells products that we as consumers need and take for granted on a daily basis. Loblaw has more locations for us to buy those products than anyone else. This puts the company in an interesting position that is unlikely to end anytime soon.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:L (Loblaw Companies Limited)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Yahoo CA

### **Category**

1. Investing

### **Date**

2025/07/28

### **Date Created**

2017/05/24

### **Author**

dafxentiou

**default watermark**