Which Is the Better Buy: Metro, Inc. or Jean Coutu Group PJC Inc.?

Description

Food and pharmacy stores are essentials, and I'd go so far as to say the industries are recession-proof, since these are not items that people can just decide to forgo because money has gotten tighter. It's for this reason that I'm going to focus on two companies in these related industries that could give you an opportunity to add some stability to your portfolio during these tumultuous times.

Metro, Inc. (TSX:MRU) operates in Quebec and Ontario and has hundreds of pharmacies and food stores in these provinces under a variety of different brands. One of the company's unique offerings is that it offers its customers in Montreal and Quebec City the opportunity to order groceries online which are guaranteed to be fresh. The customer can then either pick up the items or have the purchases delivered if they live within close proximity to the store. The company is working on expanding this offering to other cities and eventually into Ontario as well. Although retailers like **Loblaw Companies Ltd** have offered similar "Click and Collect" services, Metro's delivery service is a unique offering.

Jean Coutu Group PJC Inc. (TSX:PJC.A) has over 400 franchised pharmacy retailers in Ontario, New Brunswick, and Quebec. The company has also embraced technology and offers its customers a "health record" feature on its website, where consumers can renew prescriptions online, be notified when medication is ready, monitor prescriptions for family members, and track weight and blood pressure in addition to other services. The company also has a generic drugs segment which manufactures and sells drugs to wholesalers and pharmacists.

Both companies seem to be well positioned for future growth and have a strong footing in eastern Canada, but let's have a look at the financials.

Both companies have struggled to see much growth

Jean Coutu has seen steady growth over the years with revenues rising just 4% last year and 9% in the past three years. However, the company has seen its bottom line shrink with profits of $218.9 million in 2015 falling to just $199 million in 2017 for a decline of 9%. In its most recent quarter Jean Coutu saw a similar trend with its top-line growth not translating to an improved bottom line.

Metro has not seen strong top-line growth either, as sales rose just 4% last year, but over the past three years, revenue has climbed by 12%. However, the company's bottom line has increased the past couple years with $571 million in net income this past year, representing an increase of 28% in the past two years. In its last quarter, revenue was up only 1%, but the company was able to expand its bottom line with a year-over-year increase of over 3%.

Which stock is the better buy today?

Although Quebec is not straddled with significant minimum wage increases like other provinces, bothof these companies have exposure to Ontario. However, Jean Coutu has only nine locations listed in Ontario and significantly less exposure to the changing market conditions than Metro does.

With a higher dividend, less of an impact from minimum wage increases, and a simpler operation, Jean Coutu is the better investment today.

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