



Why Metro, Inc. Is up Over 1%

Description

Metro, Inc. ([TSX:MRU](#)), one of Canada's largest owners and operators of grocery stores, convenience stores, and drugstores, released its fiscal 2018 first-quarter earnings results this morning, and its stock has responded by rising over 1% in early trading. Let's break down the quarterly results and the fundamentals of its stock to determine if we should be long-term buyers today.

A strong quarter of top- and bottom-line growth

Here's a quick breakdown of eight of the most notable statistics from Metro's 12-week period ended December 23, 2017, compared with its 12-week period ended December 17, 2016:

Metric	Q1 2018	Q1 2017	Change
Sales	\$3,111.8 million	\$2,971.3 million	4.7%
Gross profit	\$607.4 million	\$584.3 million	4.0%
Gross margin	19.5%	19.7%	(20 basis points)
Operating income before depreciation, amortization, and associate's earnings	\$217.8 million	\$216.8 million	0.5%
Operating margin	7.0%	7.3%	(30 basis points)
Adjusted net earnings	\$153.4 million	\$138.1 million	11.1%
Adjusted fully diluted net earnings per share (EPS)	\$0.67	\$0.58	15.5%
Same-store sales growth (excluding Christmas week shift)	1.2%	0.7%	N.M.

Dividend hike? Yes, please!

In the press release, Metro also announced that its board of directors approved a 10.8% increase to its quarterly dividend to \$0.18 per share.

What should you do now?

It was a great quarter overall for Metro, and the results surpassed the consensus estimates of analysts polled by **Thomson Reuters**, which called for EPS of \$0.59 on revenue of \$3.02 billion; that being said, I think the market has responded correctly by sending its stock higher, and I think it's still a great long-term buy for two fundamental reasons.

First, it's still attractively valued. Even after the slight pop, Metro's stock still trades at just 15.9 times fiscal 2018's estimated EPS of \$2.61 and only 13.7 times fiscal 2019's estimated EPS of \$3.03, both of which are inexpensive given its current double-digit percentage earnings-growth rate and its estimated 8.2% long-term earnings-growth rate; I also think its acquisition of Jean Coutu and [its e-commerce efforts](#) will help accelerate growth going forward.

Second, it's a [dividend-growth aristocrat](#). Metro now pays an annual dividend of \$0.72 per share, which brings its yield up to about 1.7%. A 1.7% yield isn't very high, but it's very important to note that the company is now on pace for 2018 to mark the 24th consecutive year in which it has raised its annual dividend payment, giving it one of the longest active streaks in the market today.

With all of the information provided above in mind, I think Foolish investors should consider initiating long-term positions in Metro today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MRU (Metro Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/26

Date Created

2018/01/30

Author
jsolito

default watermark

default watermark