3 Reasons Your Portfolio Needs Metro Inc.

Description

Metro Inc. (TSX:MRU) may not exactly strike you as the incredible, must-have stock to add to your portfolio that nobody knows about. The reason? Grocery stores have a near-incredible knack for masking their investment potential because of the necessary service they provide to customers.

We need to buy food just as we need heat and electricity to power and heat our homes. Yet when it comes to our utilities, we don't pay our hydro bill grinning from ear to ear, do we? This is because our groceries come with an element of enjoyment and personalization, defined by our taste. (That's not to say that utilities aren't great investments; some utilities make great investments too!)

So now that you're thinking about Metro as an investment, let's look at three ways the company justifies a core position in your portfolio.

1. Strong Results

Metro announced results for the first fiscal of 2018 this week. The results were, in a word, impressive.

Metro realized net earnings of $1,299.1 million in the quarter, compared to $138.1 million earned in the same quarter last year. The bulk of the earnings reflected in this figure relate to Metro's decision to sell most of its stake in **Alimentation Couche Tard Inc.**, with the proceeds being used for the purchase of pharmacy chain Jean Coutu Group announced last year.

Metro saw sales increase to $3,111.8 million, representing an increase of 4.7% over the same quarter last year. Gross profit for the quarter came in at 4% better than the same quarter in fiscal 2017, closing at $607.4 million.

On an adjusted basis, earnings for the quarter came in at $153.4 million, bettering the same quarter last year by 11.1%.

2. Growing dividend

Metro offers investors a growing quarterly dividend that got a healthy 10.8% hike during the recent quarterly announcement to $0.18 per share. The dividend payout level translates into a respectable 27% of net income from the prior year.

This latest hike represents an annual hike that has persisted over the past two decades and is likely to continue going forward.

3. Growth potential

The Jean Coutu acquisition holds massive potential for Metro, particularly over the long term. The pharmacy operator has over 400 locations in Quebec, Ontario, and New Brunswick, which will be complement Metro.

By example, following the acquisition of Shoppers Drug Mart, **Loblaw Companies Limited** found success with placing President's Choice brands in Shoppers stores; Metro could well be targeting a similar cross-merchandising support.

Another lesser-known opportunity comes in the form of Jean Coutu's real estate holdings. The current complement of locations in Quebec includes 184 buildings that house the franchisees, effectively making Metro a landlord for these locations.

Yet another growth avenue for Metro comes in the form of the emerging trend of meal-kit delivery services. As we are becoming busier (or more distracted) in our daily lives, a growing gap is emerging around the preparation of healthy, balanced meals.

This is where meal-kit delivery companies come in to play, offering customers a fun, healthy alternative to fast food. You receive the recipe and all the ingredients needed to make the meal. For busy parents as well as single professionals without the time or desire to go grocery shopping, this could mark a huge opportunity — and Metro has already leap-frogged over the competition.

Metro acquired a Montreal-based meal-kit company called MissFresh last year. Given the entrenchment of mobile commerce and Internet retail titans into the grocery segment, it's not hard to imagine a time when Metro's products and locations are more integrated with MissFresh's service offering.

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
2025/08/25
Date Created
2018/02/01
Author
dafxentiou