



Have You Considered Metro, Inc. Recently?

Description

Grocers are among my favourite investments. They provide us with an essential service we need to survive, yet unlike other services such as utilities, we actually gain enjoyment from acquiring, preparing, and consuming the food we buy.

This unique attribute of grocers has to do with an element of personalization based on our individual tastes.

This creates a unique opportunity for investors, and one of the grocers that has recently perked my interest is **Metro, Inc.** ([TSX:MRU](#)). Metro is by no means the largest grocer in the country, but the company has completed several masterstroke moves over the course of the past few months that have placed it at the top of the list of possible grocer investments.

Let's take a look at what makes Metro such a great investment.

Results and dividend growth

In terms of results, in the most recent quarter, Metro reported net earnings of \$1,299.1 million, which was a massive uptick from the \$138.1 million reported in the same quarter last year.

The majority of that increase can be attributed to Metro selling most of its holdings in **Alimentation Couche-Tard Inc.**, with the earnings used for an [impressive acquisition](#) announced last year.

In terms of a dividend, Metro rewarded shareholders with a healthy 10.8% hike during the most recent quarterly update, which represents a payout level that equals 27% of the prior year's net income.

A growing footprint and an expansion into new segments

Metro has over 600 locations under several brands scattered around Quebec and Ontario. While this in and of itself could be portrayed as a growth opportunity in the other provinces, one of Metro's recent acquisitions has massive potential.

Late last year, Metro announced the acquisition of **Jean Coutu Group PJC Inc.**, a Quebec-based pharmacy with over 400 locations in Quebec, Ontario, and New Brunswick, which will complement Metro's existing network of stores.

Beyond that, opportunities for cross-merchandising exist by placing Metro-branded products in Jean Coutu locations. **Loblaw Companies Ltd.** made a similar move by placing President's Choice products into Shoppers Drug Mart stores following that acquisition a few years ago.

Jean Coutu also has a substantial number of real estate holdings. Across the Jean Coutu locations in Quebec, the company owns 184 of the buildings where franchisees are located, which makes Metro a landlord.

In addition to the Jean Coutu acquisition, another area in which Metro is gaining traction is in the emerging sector of meal delivery services. These services provide the ingredients and recipes necessary for a complete meal. This is a time-saver for working professionals and busy families with small children that often do not have the time to prepare a healthy meal every night.

The year 2017 saw Metro's acquisition of MissFresh, a Montreal-based meal-kit company, is an interesting play into this segment. Given the recent entry of internet commerce titans into the [grocery delivery business](#), this acquisition could provide yet another opportunity to integrate Metro's products into the meal-kit delivery business.

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dafxentiou

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