



Why Investing in Metro, Inc. (TSX:MRU) Is Good for Your Future Portfolio

Description

Grocers are peculiar investments, and few of us realize just how much potential and importance they have in our daily lives. That potential and opportunity are not unlike investing in a utility, which provides an essential service and offers a secure stream of revenue that provides growth and a respectable dividend.

Surprisingly, many investors bypass an investment in a grocer, deviating back to the same types of investments that are already in their portfolios, whether it be [choosing one of the big banks](#) or an energy sector investment.

Metro, Inc. (TSX:MRU) is one of Canada's two largest grocers and provides a refreshing option for investors that is definitely worth considering.

Metro has an expansive network of grocery stores that blankets both Ontario and Quebec. Last year's [acquisition of Jean Coutu Group PJC Inc.](#) provided an avenue for Metro to expand into the lucrative pharmacy market, where Metro can realize the benefits of cross-merchandising products and having a larger network of stores over a larger area.

This is not unlike the move that Metro's main competitor **Loblaw Companies Limited** did in acquiring Shoppers Drug Mart several years ago.

The Coutu deal was finally approved earlier this month, and Metro believes the deal will contribute to the company generating \$16 billion in revenue, while generating \$75 million annually in cost savings after three years.

How is Metro doing?

In terms of results, Metro's most recent quarterly update was a mix of announcements. Sales in the quarter amounted to \$2,899 million — nearly flat with the same quarter last year. Same-store sales in the quarter came in at 1% higher over the same quarter, which included a shift in the Christmas week.

Adjusted net earnings for the quarter came in at \$108.1 million, reflecting a decrease of 5.1% over the

same quarter last year. On a per-share basis, earnings on a fully diluted basis came in at \$0.47 per share, down 2.1% on an adjusted basis over the same quarter last year.

Opportunities for growth

In addition to the added benefit of the Jean Coutu acquisition, Metro has several compelling reasons for investors to contemplate an investment.

First, there's the growing opportunity stemming from online e-commerce. Most segments of the retail sector have seen massive changes as a result of online commerce, as internet retailer behemoths have swooped in and undercut traditional retailers.

Metro and other grocers have largely escaped the onslaught, at least for the moment, as food purchases remain in the one sector of retail where the fragile and personal nature of grocery shopping does not outweigh the convenience of mobile shopping, at least not yet.

Internet and retail titans have already started grocery delivery and online purchasing, rendering the once untouchable and stable grocery market ripe for change.

Metro has already started to counter that threat through two separate initiatives. The first is through a third-party partnership that allows shoppers to purchase their groceries and have them delivered by hand to your home, and the second initiative relates to the growing meal prep and delivery service.

Meal-kit companies are a growing segment with plenty of promise, as they allow busy families and professionals a quick alternative to prepping a meal they would not otherwise have time to complete. Offering its Miss Fresh meal-kit service alongside grocery delivery provides Metro with the best of both worlds, leveraging Metro's already massive network.

One final point worth considering is Metro's dividend. The company provides investors with a respectable 1.74% yield, which, at the end of the current quarter, was over 10% higher than it was at the same time last year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:MRU (Metro Inc.)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/19

Date Created

2018/05/31

Author

dafxentiou

default watermark

default watermark