Metro, Inc. (TSX:MRU) Is the Grocer Your Portfolio Needs

Description

I've long held the belief that food stocks are some of the most incredible long-term investments. That belief is founded on three core principles.

First, food companies, unlike their brick-and-mortar non-food retail counterparts, are better equipped to diversify their product portfolio to meet the changing needs and tastes of consumers. For example, in the frozen seafood segment, there is growing demand for more grilled seafood options that are complemented with steamed vegetables over the greasy deep-fried seafood with starchy sides that were common in the past.

Second, food stocks are fulfilling a necessary and required service: providing food. We need food to survive and while we may opt to grow some vegetables and fruits in the summer months ourselves, we are overly reliant on, if not required, to procure our food supply from grocers. This necessity is one of two moats that grocers enjoy.

Finally, there's the incredible emotional moat that comes with food investments. In addition to needing the food that we buy, many of us take satisfaction in shopping for, preparing, and consuming that food. This is an important distinction from other must-have necessities of modern life, such as your wireless or hydro bill; few, if any of us, will draw pleasure in paying those bills.

Unfortunately, as great as a food investment sounds, it's not nearly as diversified as most would desire, which makes food retailers such as **Metro** (TSX:MRU) the next best thing for your portfolio.

Here's a quick run-down of why Metro is great and why you should consider an investment in the company.

Metro is a great long-term growth play

One of the things that I absolutely love about Metro is the long-term potential the company has that surprisingly few investors fail to realize. Despite the push by online retailers to penetrate the lucrative grocery market, groceries remain the one area where the personal choice of selecting produce and products (and likely the added cost of highly perishable and fragile goods like fruit and eggs) has provided a moat around the business.

Metro's acquisition of meal-delivery service company Miss Fresh last year also provides the company with the potential to bridge the gap between families that still want to grocery shop but have little time to prepare their meals as well as younger millennials who prefer to stay clear of the grocery store altogether and opt for a meal service company.

In addition to Miss Fresh, Metro completed the acquisition of the Jean Coutu Group earlier this year and in doing so entered the lucrative market of cross-merchandising grocery products in pharmacies. **Loblaw** did a similar move when acquiring Shoppers Drug Mart, which has proven wildly successful, as sometimes consumers will opt for a smaller store on the way home to pick up a few things.

The $4.5 billion Jean Coutu acquisition will help push Metro to be a company that earns $16 billion in revenue, and the deal is poised to result in $75 million in annual cost savings over the next few years.

Finally, there's the opportunity poised by Metro's stock. Currently trading near $43, Metro maintains a very attractive P/E of 5.68, which is significantly lower than its peers. Even better is the growth the company has realized over the trailing five-year period — an impressive 77% gain.

If that isn't convincing enough, the respectable and steadily growing quarterly dividend, which pays a yield of 1.62%, may be the deciding factor.

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
2025/08/27
Date Created
2018/08/09
Author
dafxentiou