

This Great Investment Is Hiding in Plain Sight

Description

When it comes to investing, the one thing that continues to amaze me is how many incredible investments surround us. Whether they are products for our consumption, raw material providers, and manufacturers, even your local grocer, these are investments that we often pass, sometimes on a daily basis, that we don't think twice about as an investment.

Keep that in mind while we take a moment to mention one such investment, **Metro** ([TSX:MRU](#)).

As one of the largest grocers in the country, Metro fits into a class of necessary yet pleasantly unknown investments. The necessity of purchasing food for our families forces us to go to the grocery store, yet the personal and satisfying nature of grocery shopping means that we can do so in better spirits than, say, [paying our wireless bills](#) every month.

So, what makes Metro a viable investment option? Here are several reasons to consider your local store as more than a place to buy your groceries.

Metro is huge, still growing, but has a small footprint

Despite being Canada's third-largest grocer with hundreds of locations, the company is still heavily concentrated in Ontario and Quebec, leaving the rest of the country open as a potential expansion market.

Before you begin to think that Metro is setting up for a move out to the west, there's another much larger market that the company is moving towards — online.

The onslaught of online commerce behemoths has brought an end to several prominent retailers over the years and has also put several retailers on an endangered list moving forward. The message to those retailers is clear — innovate, or succumb to the new retail paradigm. But when it comes to grocers such as Metro, things are somewhat different.

Consumers still appreciate the personal nature of grocery shopping and rightfully have apprehensions about having their perishable goods shipped and delivered to them in the same manner. This had led to several delivery-service initiatives being launched, where an online order is hand-picked and hand-delivered to your home or ready to be picked up at the grocery store. Metro has experimented with both of these models and has even gone in a third direction through its acquisition of meal-prep company Miss Fresh last year.

Metro's play on the pharmacy sector could see growth on multiple fronts

One of the most important transactions of the past few years for Metro was the acquisition of the Jean Coutu chain of pharmacies. This allowed Metro to not only enter the lucrative cross-over market that its primary competitor in the grocery sector did several years ago, but also provide an impressive boost to the company's overall holdings.

In terms of results, the Jean Coutu deal provided a notable boost to the company's bottom line in the most recent quarter, with sales up by 11.6%, which also provided a boost to net earnings, which also realized an 11% boost over the same period last year.

The cross-merchandising of some grocery products into pharmacies has proven incredibly successful in the past. Specifically, the idea of stopping into a pharmacy to buy a few products such as milk, eggs, or bread on the way home rather than heading into a large supermarket is appealing to consumers.

Final thoughts

Metro is viewed primarily as a growth stock, but that doesn't mean that the company can't also cater to income-seeking investors. Metro offers investors a respectable quarterly dividend that currently pays a 1.81% yield. While that yield may not appeal to dividend-seeking investors that are looking for a healthy income, it is a growing and relatively safe payout.

Metro currently trades at just shy of \$40, with the stock trading down over 10% in the trailing three-month period, making it an intriguing [buy for value-seeking investors](#).

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

2025/09/22

Date Created

2018/10/18

Author

dafxentiou

default watermark