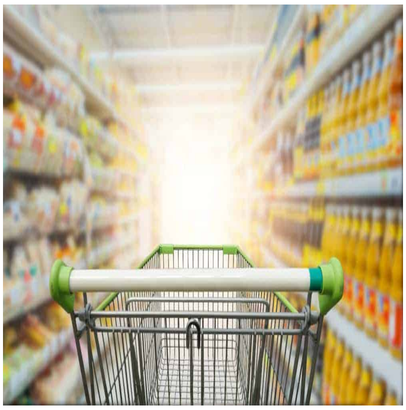

Should You Grab Loblaw Companies Ltd. (TSX:L) Over Metro, Inc. (TSX:MRU) Stock Today?

Description

Grocery retailers were tested in 2018. Traditional retailers in North America were given a shot in the arm when **Amazon** announced its acquisition of Whole Foods back in the summer of 2017. Amazon's business model has been a nightmare for many traditional retailers, and its entrance into the grocery sector has the potential to shake things up once again.

Fortunately, Canadian retailers do have some advantages in their corner. Whole Foods does not have close to the footprint of domestic retailers, and Canadians have not embraced online shopping at the same degree Americans have. About 50% of holiday shopping was done through online channels in the U.S. in 2017 compared to a third of Canadians. The labour struggle at Canada Post has also soured some consumers as package delivery has been inconsistent. Canadian grocery retailers have also moved to accelerate e-commerce shopping options in 2018.

Food prices are also forecasted to increase in Canada in 2019. The 2019 Food Price Report revealed that Canadian households can expect to see a 3.5% increase to their food bill next year. In September, I'd discussed how this could help margins at major retailers. However, fierce competition will prevent retailers from seeing huge benefits from this trend.

Today, we are going to take a snapshot of two grocery retail stocks that investors may be considering before we welcome the new year.

Loblaw Companies (TSX:L)

Loblaw stock has climbed 3.3% month over month as of early afternoon trading on December 17. Shares are still down 11% in 2018 so far. In the third quarter, Loblaw took a hit due to the impacts of the minimum wage increase and incremental healthcare reform. Back in 2017 the company had projected that the minimum wage increase would cost it an extra $190 million this year.

Revenue did increase 1.8% year over year to $14.4 billion. Adjusted EBITDA also climbed 7.5% to

$1.32 billion. In its outlook, Loblaw reiterated that it is facing problems due to cost pressures and a competitive environment. The board of directors declared a dividend of $0.295 per share, which represents a modest 1.9% yield.

Metro (TSX:MRU)

Metro stock has surged 16.7% over a three-month span as of close on December 17. This run has pushed shares up 16% for the year so far. Metro saw sales increase 9.2% from 2017 to fiscal 2018 to $14.38 billion. Adjusted net earnings rose 13% to $605.9 million. The company reported a strong year on the back of its Jean Coutu Group acquisition.

Metro has expanded its e-commerce options from outside larger metropolitan areas in Quebec and is branching out in Ontario. The board of directors announced a quarterly dividend of $0.18 per share, which represents a 1.5% yield. Glancing at its technicals, the stock just dipped below overbought levels with an RSI of 64. However, the stock currently hangs near 52-week lows in what is an increasingly choppy market. Investors may want to wait for a pullback before dipping into Metro in December.

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Date
2025/08/26
Date Created
2018/12/17
Author
aocallaghan