



## Beef Up Your Portfolio With Metro, Inc. (TSX:MRU)

### Description

Grocers can provide a defensive and potentially lucrative investment option for investors, particularly those that are looking to diversify their portfolios. Chief among grocers, **Metro** ([TSX:MRU](#)) is an option that should be near the top of the list for any long-term investor.

Regardless of whether you are already invested in Metro or just prospecting, here are a few reasons you may want to consider adding Metro to your portfolio.

### A defensive pick for a volatile market

While 2018 and its two corrections are now but a fading memory, the lessons learned in diversifying with some defensive investments should be clear. Grocers operate in a shielded environment when compared to most areas of the economy, given the necessary products they provide to us. To put it another way, we need to eat, and Metro, through its hundreds of locations across both Ontario and Quebec, provides consumers with products they will continue to buy, irrespective of the economy.

Another interesting point worth noting is the emotional satisfaction that we take in buying food, which translates into a powerful moat for grocers such as Metro. Consumers typically enjoy shopping for and discovering new foods, and supermarkets are laid out in ways to take advantage of that enjoyment in a multitude of ways, ranging from putting fresh goods near the entrance to entice shoppers in, putting the most common perishable staples, such as meats, [fish](#), and dairy the furthest away from the entrance (so shoppers have to traverse aisles full of goods to get to them), and finally, the small, impulse-buy products that are scattered around check-out lines.

### A great long-term growth option

Over the past few years, traditional brick-and-mortar retailers have seen their once-impenetrable markets crumble, particularly as an influx of internet retailers have completely obliterated them on price, selection, and availability. Traditional retailers initially dismissed the threat as a new fad that would pass, and when it didn't, they stated their beliefs that the promise of getting goods instantly in

person from a traditional retailer would prevail over longer shipping times and uncertainty of a company without a “real store.” That belief also faded.

Fortunately for Metro, grocery stores have yet to be overtaken by internet retailers, as the personal and delicate nature of food shopping has no comparable experience in the online world. The closest available substitute to date seems to be offering a delivery or pickup service for online shoppers, both of which Metro continues to roll out to new locations.

## More than groceries

Another attractive element for prospective investors considering Metro comes in the form of the company’s pharmacy arm. Last year, Metro completed the acquisition of the Quebec-based pharmacy Jean-Coutu, following what has emerged as a viable expansion option that has been seen in the industry. By expanding into the pharmacy segment, Metro can quickly expand its sphere of products into smaller stores across the Jean Coutu network, realizing two significant advantages.

First, Metro can now cater to shoppers who are looking to pick up a few items on the way home that have neither the time nor desire to step into a larger grocery store. To put it another way, adding selective food items to Jean Coutu’s shelves could pave the way to higher sales numbers for Metro, even if the smaller pharmacy store is located near one of its larger stores.

Second, the addition of grocery items to Jean Coutu stores (and vice versa) allows Metro the opportunity to cross-sell its products, again reaping the rewards.

One final reason to consider investing in Metro comes in the form of the company’s dividend. The quarterly payout provides a solid 1.47% yield, which — while not the most impressive return on the market — has been subject to a steady stream of hikes over the years.

In my opinion, Metro remains an excellent [long-term growth pick](#) that can also provide a respectable income.

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