1 Top Canadian Dividend-Growth Stock to Buy in April

Description

Do you want to grow your money while sleeping worry-free and blissfully at night? Then take a look at this Canadian dividend-growth stock that is an attractive long-term holding.

Metro (TSX:MRU) has a long-term record of delivering and creating shareholder value, as it effectively grows its business and returns cash to shareholders through consistent growth and dividend raises.

Yes, Metro reported second-quarter 2019 earnings that were a tad below expectations this week, but if we dig deeper, we can see that the bullish thesis for this quality company is still more than intact.

It is in the grocery and pharmacy businesses, which are pretty much immune to the ups and downs of the economy due to the nature of the products being sold, and with a rapidly growing and aging population that will support its business, this stock is one long-term holding that will not get in the way of a good night's sleep.

Let's review Metro's history as well as its most recent quarter, as it is further evidence of the consistency and defensive nature of this company.

Dividend growth

Let's begin with Metro's record of dividend growth.

With its 1.63% dividend yield, Metro has continued to provide shareholders with growing dividend income, effectively creating wealth.

The annual dividend was increased by 16% in 2017 to $0.65 per share, by 10.8% in 2018, and by 11% in 2019 to the current $0.80 per share.

Same-store sales growth

Food same-store sales increased 4.3% in the second quarter — the strongest in a long time. Adjusting for inflation, same-store sales growth was 1.8%.

Food price inflation was effectively handled through different merchandising strategies and seems to have been passed through to the customer thus far.

Jean Coutu's front-end same-store sales was also a very strong 3.6% in the quarter.

Net earnings growth

Revenue increased by almost 30%, buoyed by the Jean Coutu acquisition. Adjusted EBITDA increased 41% and EPS increased by 28%.

Jean Coutu synergies

Metro is well along the way to achieve its targeted $75 million in cost synergies. The company has now achieved $50 million in annualized synergies so far.

Risks and opportunities

Some of the risks with this company are well known, but, in my view, there are plenty of mitigating factors.

One big risk is the fact that the industry remains highly competitive and fluid, with e-commerce strategies being extremely important.

But opportunities lie in the fact that the company still has a strong balance sheet and has ramped up its growth efforts, with the acquisition of Jean Coutu and the opening and remodeling of stores.

Furthermore, the company's investment in Adonis, Premiere Moisson, and "ethnic" foods is a clear growth area.

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