Shopping for a New Investment? Consider Metro (TSX:MRU) or Loblaw (TSX:L)

Description

While you might not be thrilled by the prices of vegetables you're finding at the grocery store recently, there are a few businesses who are: grocery stores.

Food inflation recently has grown 2.5% over the past three months, with produce leading the charge, according to Statistics Canada. Canadians were paying 15.7% more for fresh vegetables and 8.6% more for fresh fruit compared to March 2018.

You'd expect a lot of grocery stores to suffer, as people tend to stop buying when prices rise. But that wasn't the case for **Metro Inc.** (TSX:MRU) and **Loblaw Companies Limited** (TSX:L).

Metro

In the company's latest earnings report, the grocery-and-pharmacy chain reported earnings of $121.5 million, or $0.47 per diluted share. This was up from $106.9 million the same time last year, and the same per share.

Sales were also up, from $2.9 billion to $3.7 billion, which is what analysts were expecting, according to **Thomson Reuters**.

Overall, this was great news for the company. For a grocer without the same reach as the two biggest national chains, holding only about 10% of the market share, its growth has been quite steady with earnings growing 27% year over year.

It's also been taking some steps that could save costs over the long term. Recently, Metro spent $400 million to modernize and automate its facilities, which will free up funds to reinvest in projects that can bring in more traffic.

The stock is currently trading at its all-time high, but has levelled off since reaching that point. It might be a good time to invest after such great earnings, and take advantage of the company's 1.63% dividend in the meantime.

Loblaw

Another stock back up at near all-time highs is Loblaw. The grocer's shares haven't been this high since back in August when it reached $71 per share, and not steadily since way back in 2005.

The stock has been rising since November of last year after October, and much of that is due to the company's growth, renovation, and of course its balance sheet. Over the last five years, the company's past earnings growth has been at 29.2%, and during that time Loblaw has been reducing its debt, covering it by its operating cash flow.

But despite being Canada's largest chain, the company still needs to be competitive. Most recently, the company received a license to sell cannabis in Newfoundland and Labrador after legalization last year.

Of course, that will just be the beginning for this company, who after its acquisition of Shoppers Drug Mart in 2014 will be in charge of selling pot pretty much across Canada.

While we're still waiting on latest earnings, the grocer has reported strong results in the last few quarters. Its Q4 results delivered $221 million in profit, and revenue of $11.22 billion, which was even better than analysts' expectations.

Bottom line

With such great historical performance, either one of these grocers would be a smart choice for your investments. Both are large enough to take a large share of the market while also having enough cash flow to consistently be making changes that should continue to interest investors for years, and even decades, to come.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:MRU (Metro Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/23
Date Created
2019/04/21
Author
alegatewolfe