TFSA Investors: This 1 Stock Will Make You Rich

Description

You would be hard-pressed to find a Canadian that has not set foot in an **Empire** (TSX:EMP.A) owned store.

The conglomerate is the owner of Sobeys, Safeway, Farm Boy, FreshCo and Foodland, to name a few.

It's the underdog in the grocery industry with companies such as **Loblaws** and **Metro** overshadowing the company. This doesn't come as a surprise after Loblaws' purchase of Shoppers Drug Mart for $12.4 billion and Metro's purchase of Jean-Coutu for $4.5 billion.

To date, Empire's market capitalization if $9.7 billion, which makes it less than Metro's $14.5 billion market capitalization and Loblaws' $26 billion market capitalization.

As an investor, I believe this is a competitive advantage, as Empire is able to let the big players dominate the market and fill the voids. This strategy has been successful based on the company's portfolio and its net income.

Portfolio of companies

As mentioned above, the company is the owner of Sobeys, Farm Boy and Safeway. Let's look at these brands individually.

Sobeys appeals to families. On its website it proudly displays its mantra, "We are a family nurturing families," which the company describes as its collective passion and mission. The store layout is very welcoming and provides customers with a relaxed shopping atmosphere.

Farm Boy specializes in the farm-to-table concept. It works closely with local farmers to provide its customers the freshest produce. Its competitive advantage comes from featuring products grown in Ontario, which appeal to its demographic as the company operates exclusively in this province.

Safeway was formerly a division of the American company Safeway before being sold to Sobeys in

2013. Its competitive advantage is name recognition as the company is very popular south of the border.

Similar to the Wal-Mart effect, Safeway's American roots helped it wedge itself in the mind and hearts of Canadians.

Increasing net income

After a poor fiscal 2016 whereby Empire lost $2.1 billion, it has since recovered and reported net income of $159 million in fiscal 2017, $160 million in fiscal 2018 and $387 million in fiscal 2019.

Given Safeway's extensive operations in Western Canada, there's a strong indication that net income will continue to grow as Alberta's economic situation improves.

Based on its first quarter fiscal 2020 results, the company is reporting $131 million in net income, which suggests annualized net income of $524 million. Given that grocery shopping is not significantly cyclical, it's fair to assume the company will post a net income gain for its fourth straight year.

Bottom line

I recently wrote an article whereby I said the best thing about investing in Metro was that it could learn from Loblaws' mistakes, as it's the second biggest grocery conglomerate by market capitalization.

I want to further this statement by saying an investment in Empire is just as good, if not better than Metro, as it can observe the strategies implemented by Metro and Loblaws and fill a v0id that the two biggest grocery conglomerates overlook.

Overall, Empire is a solid investment.

If you liked this article, click the link below for *exclusive insight.*

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:L (Loblaw Companies Limited)
3. TSX:MRU (Metro Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/07/03
Date Created
2019/09/29
Author
cliu