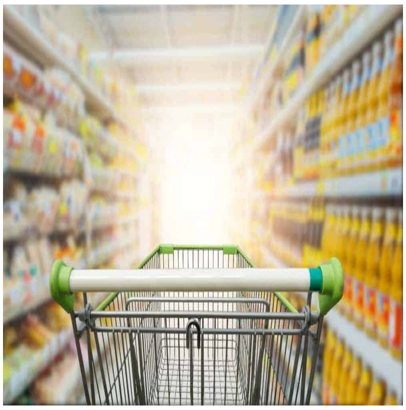

TFSA Investors: This Grocery Stock Can Make You Lots of Money

Description

Boring businesses are good news for shareholders. They ensure that cash flows are good, liabilities are low, and investors are happy. Investors should be making a beeline for stocks like these. Apart from the usual suspects like banking, energy, and telecom, food is a great space to look at for such boring businesses. Come rain or shine, people need to eat, and that means they will head to the nearest grocery store to get their quota of essential foods.

Metro

With annual sales of approximately $16 billion, **Metro** (TSX:MRU) is one of the largest players in the Canadian grocery and retail drugstore space. As a retailer, franchisor, distributor, and manufacturer, the company operates or services a network of more than 600 food stores under several banners, including Metro, Metro Plus, Super C, and Food Basics, as well as more than 650 drugstores primarily under the Jean Coutu, Brunet, Metro Pharmacy, and Drug Basics banners.

Metro's numbers for the third quarter of fiscal 2019 ended July 6, 2019, were good. Sales reached $5.2 billion, up 12.8% compared to $4.6 billion in the third quarter of fiscal 2018. Pharmacy same-store sales were up 3.4%, with a 2.9% increase in prescription drugs and a 4.3% increase in front-store sales.

Third-quarter net earnings were $222.4 million in fiscal 2019 compared with $167.5 million in the same quarter of fiscal 2018, an increase of 32.8%, and fully diluted net earnings per share were $0.86 compared to $0.69 in 2018. The board of directors declared a quarterly dividend of $0.20 per share — an increase of 11.1% over the dividend declared for the same quarter last year.

Metro looking to target online

Tech and online retail giant **Amazon** is making big moves in the online grocery space just south of the border and Metro is cognizant of the threat. With more Canadian shoppers choosing to get their groceries delivered online, Metro offers online delivery in select markets and is steadily growing the number of markets for this particular service, including enhanced services like same-day delivery.

Metro also launched freshly prepared meal kits after it bought a majority stake in MissFresh, a Montreal-based meal kit company. It sells these meal kits through its stores and has also partnered up with hail-a-cab companies to deliver them.

Metro's forward price-to-earnings multiple stands at 17.7 and the stock has a dividend yield of 1.44%. When you compare this to Metro's long-term estimated earnings growth of 8.9%, we can see that the stock is trading at a premium and is likely to move lower in a sell-off. However, Metro has strong fundamentals and remains a solid long-term pick.

The stock is trading at $56.05 — 20% up from its 52-week low of $46.03. The company has paid out dividends for 25 consecutive years, and that is one of the reasons analysts hold Metro in good stead. Six out of 11 analysts recommend a "hold" on Metro while the remaining five have a "buy" recommendation on the stock.

Metro is a solid defensive stock that can provide a strong spine to your portfolio. If the economy doesn't hit a recession, the stock will continue to head upwards. The stock has a beta of 0.04, which means it will likely hold its ground in case the economy goes south.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MRU (Metro Inc.)

PARTNER-FEEDS

1. Business Insider
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