



## Grocery Stocks: Which Is the Better Buy — Metro (TSX:MRU) or Loblaw (TSX:L)?

### Description

Grocery stocks are classified as consumer defensive. The reason for this has been front and centre throughout the current COVID-19 pandemic. People need to eat, and grocery stores are [essential services](#).

They are among the few retail stores that are allowed to stay open in this era of social isolation. It is therefore not surprising that as a group, they have outperformed the market. Considering there is no end in sight, they are [likely to outperform](#) moving forward.

Given this, which grocery stock is the better buy today: **Metro** ([TSX:MRU](#)) or **Loblaw** ([TSX:L](#))?

### Top-performing grocery stock

As mentioned, grocers are far outperforming the TSX Index. As of writing, the S&P/TSX Composite Index is down 18.54% in 2020. How about our grocers? Metro and Loblaw are up 11.53% and 9.66%, respectively. At first and second, they are the industry's top performing stocks.

Over the past five years, however, it has been a no contest. Metro has returned 72.32%, while Loblaw has only returned 27.47%. Both however, trump the S&P/TSX Composite Index, which only gained 16.61% over the same period.

Looking further out, both have far outpaced the broader Index. Metro and Loblaw investors are sitting on gains of 235.2% and 137.8%, respectively. In comparison, the Index is up a paltry 11.76% over the past decade.

*Winner:* The choice is clear, Metro is the top-performing grocery stock. That being said, both have proven to be outperformers, regardless of economic conditions.

### Top grocery stock for income

Both of our grocery stocks pay a dividend. Unfortunately, neither will knock your socks off. Metro and Loblaw yield 1.34% and 1.72%, respectively. To put this into context, a \$10,000 investment would

generate \$134 and \$172 in annual income.

On the bright side, both are Canadian Dividend Aristocrats. At 25 years, Metro owns the seventh-longest dividend-growth streak in the country. For its part, Loblaw owns a modest eight-year streak.

Metro is also averaging a dividend-growth rate in the low teens, whereas Loblaw is only raising the dividend at a mid, single-digit clip.

*Winner:* Metro comes out on top again. Although it has a lower starting yield, it is a function of the company's outperformance. It also has one of the longest dividend-growth streaks in the county and is raising the dividend at a much faster pace.

## Valuation

Which of these grocery stocks presents the best value? Metro appears to be a tad more expensive. It has a higher P/E (18.59 vs. 16.12), P/B (2.57 vs. 2.4), and P/S (0.909 vs. 0.563) ratios.

Likewise, Metro's enterprise value to EBITDA of 12.89 is almost double that of Loblaw's (6.69). The former is also trading at a discount (-6.3%) to analysts' one-year estimate. On the flip side, Metro is trading at a 4.41% premium to the average one-year estimate.

*Winner:* Across all metrics, Loblaw is the best-valued grocery stock.

## Foolish takeaway

Which grocery stock is a better buy today? Metro's track record is undeniable, and Loblaw's higher starting yield isn't enough to warrant investors choose one over the other.

Neither stock is cheap, but Metro is trading at a steep premium (39%) from its historical P/E average. Likewise, Loblaw is cheaper across all metrics and is expected to grow earnings at a faster clip than Metro. This makes Loblaw the better buy.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

## PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise

5. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Date**

2025/09/28

**Date Created**

2020/04/19

**Author**

mlitalien

default watermark

default watermark