

Take Warren Buffett's Implicit Stock Tip and Buy This Stock!

### **Description**

Warren Buffett fans know that it can pay huge <u>dividends</u> to pay attention to the man's moves, which I believe speak just as loud, if not louder, than his words. As you're probably aware, the Oracle of Omaha has been playing it safe amid this crisis. His recent decision to buy shares of grocery giant **Kroger** is an implicit stock tip that it's time to purchase grocers. The grocers are not sexy plays. They're not going to make you rich, but they can help your portfolio hold their own when the market waters get that much rougher.

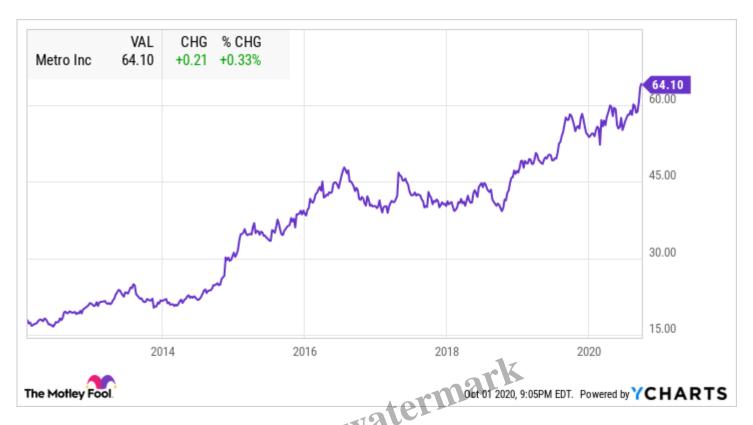
## Warren Buffett seems bullish on grocers

If your portfolio is already well-diversified to pandemic risks, then it may not make sense to back up the truck on grocery stocks here. However, if you're like many investors who were blindsided by this crisis, taking on amplified damage back in the February-March sell-off, now is a great time to bolster your defences with Canadian grocery stocks such as **Metro** (TSX:MRU).

Amid this latest September sell-off, Metro has been rallying to make fresh all-time highs. The grocer and drugstore play (Metro acquired pharmacy chain Jean Coutu Group three years ago) operates out of Quebec and Ontario (mostly in Quebec) and is relatively unknown by Canadians living on the west coast. While the Montreal-based food retailer is firing on all cylinders, maintaining tremendous resilience amid this pandemic, its stock remains relatively cheap.

## A low price of admission for Warren Buffett fans

At the time of writing, shares of MRU trade at 0.92 times sales and 2.66 times book value, alongside a slightly negative beta of -0.13. Indeed, Metro is the ultimate low-cost place to hide for those who've yet to play defence with their portfolios. Should we be in for a worsening of this crisis, with reopening rollbacks and prolonged periods of self-isolation, Metro is likely to continue doing relatively well as a provider of essential goods and services.



Metro's operating margins have been remarkably strong, even with the incremental costs of personal protective equipment (PPE) to ensure safety amid the pandemic. Management has done an incredible job delivering on the efficiency front. For this reason, Metro a top pick in the grocery scene for those who, like Warren Buffett, want to bolster their defences before the market has another opportunity to implode on itself.

# Foolish takeaway

Even if we're due for the broad availability of a safe and effective coronavirus vaccine sooner rather than later, Metro should continue to put forth reasonably stable numbers, with minimal downside risks at today's modest valuations. The post-pandemic recessionary environment also bodes well for consumer staples like Metro. The company boasts a high-value proposition with its private-label brands, making the company both recession- and pandemic-resilient.

In the meantime, Metro is more than ready for a <u>second (or even a third) wave of COVID-19 cases</u> like few other firms on the **TSX Index**. If you seek to mirror Warren Buffett's Kroger bet, I'd say Metro is a great Canadian way to do so, even with shares at all-time highs.

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- Coronavirus
- 2. Investing
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#### **TICKERS GLOBAL**

1. TSX:MRU (Metro Inc.)

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Date 2025/09/01 Date Created 2020/10/03 Author joefrenette



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