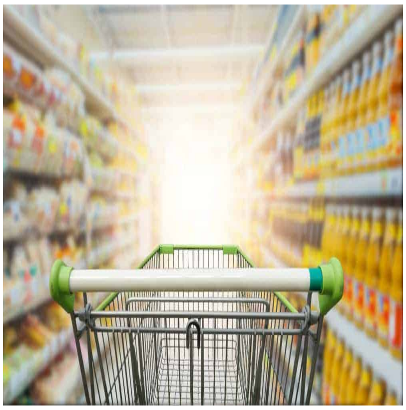

Move Aside, Meme Stocks: This Defensive Retail Stock Could Be Better

Description

In 2021, meme stocks have attracted a lot of interest from retail investors. While share prices of meme stocks have skyrocketed to incredible highs, they've also crashed to devastating lows. Accordingly, many investors following the crowd have suffered significant losses.

default watermark

Indeed, those that ignored this noise and focused instead on high-quality retailers like **Loblaw Companies** (TSX:L) instead have come out ahead in most cases.

Here's why I think Loblaw remains an intriguing pick today, relative to meme stocks.

Analysts are bullish on Loblaw

As it turns out, I'm not the only one bullish on Loblaw at these levels.

Analysts have continued to ramp up expectations for Loblaw moving forward. After surpassing its earnings expectations for Q1 2021, Loblaw's management team has revealed that its growth target of 10-15% per share is conservative. That's why Chris Li, an analyst at Desjardins Securities, has drastically improved his estimates for Canada's largest grocery retailer.

Loblaw's recently recorded earnings per share of a $1.13, trouncing the consensus projection of $0.87. According to Mr. Li's research report, its financial services segment accounted for 40% of the outperformance. In comparison, 60% came from food and drugs.

Moreover, following the Q1 earnings, Irene Nattel, an analyst at RBC Dominion Securities, has raised her target to $96 from $94. It is believed that Loblaw's focus on operational efficiency should allow the company to deliver EPS growth of more than 10% this year, especially with changes in senior management taking place.

Loblaw's business model offers stability

Loblaw conducts its business through grocery retail stores, drug marts, in-store pharmacies, and more. Its low-risk defensive operations have been consistently delivering strong performances. Indeed, grocery retailers offer a lot of stability during these times.

After all, these businesses were able to carry on their operations as essential services, despite the pandemic-related restrictions. Accordingly, from a cash flow perspective, Loblaw has done quite well in comparison to its peers. The company's generated steady returns for shareholders over this past year. In 2021 alone, Loblaw stock is up double digits at the time of writing. With inflation expectations rising, I think more upside could be on the horizon.

Bottom line

Loblaw is one of the most consistent, dividend-paying, defensive stocks on the TSX. The company's business model makes this stock a perfect pick as a portfolio hedge in times of uncertainty. For those concerned about what the future has in store, I'd recommend considering Loblaw here.

The stock appears to be fairly priced, with some decent upside from here. However, I think there is a great deal of downside protection with this stock as well. Such protection has value for investors. Accordingly, this stock is certainly worth taking a second look at today.

default watermark

CATEGORY

1. Investing

POST TAG

1. investing
2. market
3. Retail
4. Stocks

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Tags

1. investing
2. market
3. Retail
4. Stocks

Date
2025/07/21
Date Created
2021/05/15
Author
chrismacdonald

default watermark

default watermark