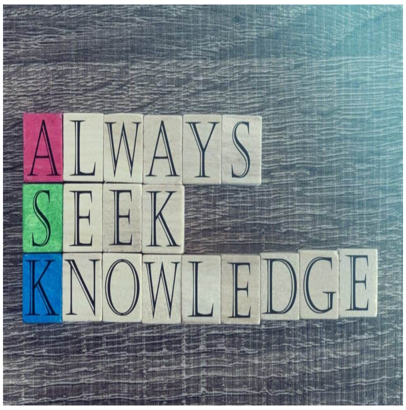

Dividend Growth Investors: 2 Top Grocers to Buy

Description

Most retail subsectors haven't recovered from the impact of the global pandemic. However, the grocery subsector showed resiliency again, like in previous economic downturns. If you notice, seasoned market players invest in grocery stores to recession-proof their investment portfolios.

On the **TSX**, **Metro** (TSX:MRU) and **Empire Company** (TSX:EMP.A) are not only safe plays but also excellent growth stocks in post-pandemic. Market observers also believe it's beneficial to invest in them now due to the growing preference for e-commerce and online ~~grocery~~ shopping. Furthermore, the two Dividend Aristocrats can continue to raise their dividends.

Consumer industry icon

Metro, a $14.88 billion company, is an icon in the consumer industry. It has been around for 74 years and operates food and pharmacy businesses. Metro supermarkets, Super C, Adonis International, and Food Basics are among its reputable grocery banners.

Organic expansion and customer convenience are its top priorities. Metro aims to increase its customer base and strengthen its retail footprint through strategic acquisitions. Also, the modernization and automation of its distribution network should fuel business growth further.

The business remains stable during the first half of fiscal 2021 (six months ended March 13, 2021). Management reported increases in sales (5.1%), operating income (5.9%), and net earnings (6.8%) versus the same period in fiscal 2020. The results reflect Metro's extraordinary resilience amid a pandemic.

Thus far, in the stock market, the year-to-date gain is 7.5%. At $60.52 per share, the dividend yield is a modest 1.67%. Please note, however, that Metro has hiked its dividends for 27 consecutive years. The company also has a policy to keep the payout ratio in check, namely, between 30% and 40%. Currently, the ratio is 28.12%.

Project Horizon

Empire and Metro are nearly dead even if you compare dividend yield and dividend growth. At $39.86 per share, the dividend yield is 1.5%. The $10.66 billion grocer has raised its dividends for 25 straight years. Its payout ratio is just 20%. High-quality grocery and drug store anchored shopping centers compose Empire's portfolio.

Empire wholly owns Sobeys, the top income generator of its food retailing business. The subsidiary derives revenue from five retail formats (full service, fresh, community, discount, and convenience stores). It also has a 41.5% ownership stake in **Crombie**, a $3.03 billion real estate investment trust (REIT).

The fiscal 2021 results (year ended May 1, 2021) indicate business resiliency, no less. Empire's sales, operating income, and net earnings grew by 6.3%, 16.88%, and 20.22% versus fiscal 2020. Project Horizon, the company's three-year growth plan, was launched in Q1 fiscal 2021.

According to management, Empire is on track to achieve a targeted incremental $500 million in annualized EBITDA by fiscal 2023. It also expects the EBITDA margin to increase by 100 basis points during the same period.

Empire's game plan for fiscal 2022 is the continued expansion and renovation of its store network, promotional optimization, data analytics, and strategic sourcing efficiencies. However, investments in its e-commerce network will offset these benefits partially.

Greatest growth ahead

Dividend growth investors can take their pick between Metro and Empire. The two top retailers are proactive to meet changing customer preferences. You can expect their business resiliency to sustain.

Also, the future of the grocery sector is very bright. Both grocers should post the most significant growth over the next decade.

CATEGORY

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