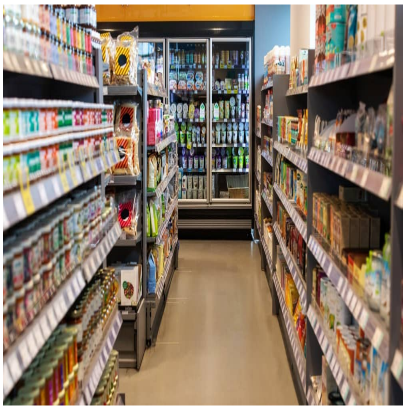

Why Loblaw Stock Soared 65% in 2021

Description

Loblaw (TSX:L) saw shares increase an incredible 65% in 2021 for shareholders. The retail and grocery giant managed to provide a safe haven, even amid pandemic shutdowns and supply-chain demands. And yet it remains a solid defensive stock that Motley Fool investors should consider.

Remains essential

No matter what happened during the pandemic, Loblaw remained an essential service for its consumer staples. While there were times that its Joe Fresh lines and household products were under lock and key, its main food items remained for sale.

But it wasn't the only way Loblaw managed to bring in more cash. The company continued to expand its already popular curb-side delivery service. With the restrictions easing during the last quarter, Loblaw managed to see a rise in both in store and online demand. Seasonal shopping helped with back-to-school and Thanksgiving rushes, and the holidays likely repeated this. The company is now on track to reach over $3 billion in online sales in 2021.

Points provider

Loblaw also managed to find opportunities during the pandemic. The company's President's Choice loyalty program expanded during 2021. You can now collect points from **Shoppers Drug Mart** locations as well as Esso gas retailers. This in on top of the already strong umbrella of companies it has from Loblaw locations to No Frills stores.

This provided incredible results during the last quarter, as loyal customers were allowed back in store. Revenue reached $16 billion, with COVID-19-related costs shrinking back to $19 million from $85 million the year before. Adjusted EBITDA hit $1.7 billion, up 10.3% year over year, with a 24.2% increase in earnings per share to $1.59.

More to look forward to

There are two areas where Motley Fool investors can still count on Loblaw for growth. One we've already seen, as Loblaw increased its dividend by $0.36. You can now pick up a dividend yield of 1.41% as of writing.

Furthermore, Loblaw recently passed the three-digit mark and is now trading near or at 52-week highs. This is also its all-time high, around $105 per share. This comes from shareholder confidence that no matter what happens, Loblaw will remain open.

And that's the second benefit. With the company able to remain with open doors (or at least curbs) throughout the pandemic, it's a fantastic defensive stock against inflation. Even as prices for food rise, Loblaw isn't going to suddenly see a drop in customers. Whether it's their Loblaw or No Frills location, Canadians need to eat. They also need health necessities, and gas. All of these essentials make it a strong play for future growth in 2022.

Foolish takeaway

Inflation may be rising, but this won't affect a company that will see customers come through its doors no matter what. And even though Loblaw is in fair value territory trading at 24.5 times earnings, it's a strong long-term hold — especially for Motley Fool investors wanting to battle back inflation in the years to come.

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Date
2025/06/27
Date Created
2022/01/04
Author
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