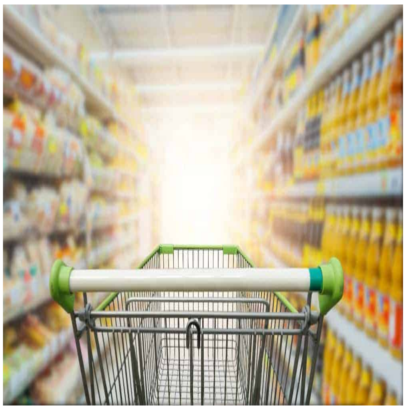

Pick Between 2 TSX Icons for Stable Income

Description

Investors' behaviour changed in 2020 because of the fallout from COVID-19. However, people didn't know that the investment landscape would be riskier in the aftermath due to rising inflation and geopolitical tensions. Today, the situation is problematic, especially for dividend investors.

Income stability is needed more than ever as the inflationary pressure is likely to intensify in the coming weeks or months. Some financial experts recommend moving to consumer-defensive assets for capital protection and continuous income streams.

Loblaw (TSX:L) and **Metro Inc.** (TSX:MRU) are logical choices because of their size and the nature of their businesses. The companies are Canada's leaders in food and pharmacy. Both are icons, no less, and if you need a stable income, pick between the two right now.

Clear strategic agenda

Despite supply chain disruptions and inflationary pressures, Loblaw displayed strength in Q4 and full-year fiscal 2021. Management notes the strong consumer demand in the fourth quarter. In the quarter ended January 1, 2022, revenue increased 2.8% versus Q4 fiscal 2020.

The quarter's highlight was the net income of $744 million, a 140% increase compared to the same quarter in fiscal 2020. On an annual basis, revenue and net earnings grew 0.9% and 70% year over year. Also, e-commerce sales grew 13.9% to $3.1 billion versus fiscal 2020.

Loblaw's chairman and president, Galen G. Weston, said, "We are effectively managing through a challenging environment of supply chain constraints and higher costs. With a clear strategic agenda, we remain confident in our ability to create value over the long term."

On March 14, 2022, management announced that Shoppers Drug Mart would acquire Lifemark Health Group. The transaction of Loblaw's wholly-owned subsidiary is worth $845 million. Lifemark isCanada's leading provider of outpatient physiotherapy, massage therapy, occupational therapy,chiropractic, mental health, and other ancillary rehabilitation services.

At $114.54 per share, Loblaw investors enjoy a 10.87% year-to-date gain in addition to the moderate but safe 1.27% dividend. This stock is a steady performer owing to its 36.813.77% (12.74% CAGR) total return in 49.28 years.

Continued sales growth

Metro Inc. is nearly half the size of Loblaw with its $17.32 billion market capitalization. Nevertheless, the retailer and franchisor boasts a 950-strong food store network under several banners. In Q1 fiscal 2022 (quarter ended December 18, 2021), total sales and net earnings increased 0.9% and 8.6% to $207.7 million compared to Q1 fiscal 2021.

Eric La Flèche, Metro's president and CEO, said, "We delivered strong results in our first quarter of 2022, driven by continued sales growth on top of record sales last year and good expense control." He adds, however, that the industry is facing higher than normal inflationary pressures.

Metro is dividend aristocrat with a dividend growth streak of 27 consecutive years. The percentage increase on January 24, 2022, was 10%. While the current dividend yield (1.53%) is modest like Loblaw's, there's plenty of room for dividend growth. The payout ratio is only 21.93%, so the dividends should be safe and sustainable regardless of the economic environment.

A tough year to earn

Dividend investors need consumer-defensive stocks and reliable income providers like Loblaw or Metro. Earning passive income would be tough in 2022, given the persistent inflation and the raging war in Europe.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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