1 Top Defensive and Long-Term Value Pick for Canadian Investors Right Now

Description

Investing in stock when its share prices are lower than its intrinsic value and holding onto them for the long run is one of the best ways to generate substantial wealth growth. Finding a great undervalued stock is always an excellent approach for investors who want to capitalize on long-term wealth growth through capital gains.

However, it might be better to invest in shares of an excellent company at a fair price than in a company without similar potential at a greater discount. Buy-and-hold, blue-chip stocks with immense long-term growth potential could provide you with far greater returns.

Today, I will discuss **Metro** (TSX:MRU), a company that boasts stellar fundamentals, a solid business model, a wide economic moat, and excellent management. It might prove to be one of the best value bets you can make, even if its current share prices do not represent a substantial discount.

Canadian grocery giant

Metro is one of the largest grocery companies in Canada. The $16.57 billion market capitalization retailer is headquartered in Montreal and operates in Quebec and Ontario. It holds the position of Canada's third-largest grocery store chain, and it is responsible for selling various consumer staples that are necessary for its consumers.

The essential nature of the wares it sells means that Metro can continue generating significant cash flows regardless of macroeconomic factors. It sells various foods, beverages, household products, and personal products. Apart from its grocery stores, Metro also operates in businesses involved in telecommunications, financial services, beauty, health, apparel, and pharmaceutical activities.

It is a top defensive pick that boasts a low beta of -0.05, making it far less volatile than broader equity markets. Investors with a long-term horizon can use this asset to introduce stability to their investment portfolios by mitigating volatility during market corrections.

Fairly valued stock

Metro stock trades for $68.60 per share at writing, and it boasts an enterprise value of $20.37 billion. Its enterprise value-to-EBITDA ratio is a healthy 11.39, much like many other consumer staple stocks. Metro stock boasts a trailing P/E ratio of 19.25 and a price-to-book ratio of 2.48, suggesting that its share prices are fairly valued. It might not be a typical undervalued stock at current levels.

Foolish takeaway

Metro stock boasts a modest 1.60% dividend yield at its current levels. Its share prices are down by just 6.42% from its April 2022 all-time high, and it appears to be performing far better than broader equity markets during the downturn. You might not expect to invest in a company trading for a fair valuation on the stock market when you think of undervalued stocks to buy and hold for the long run.

However, Metro stock might be an excellent long-term asset to consider adding to your portfolio. The consumer staple rarely gets significantly disrupted due to weakness in the broader economy. Buying shares of Metro stock right now could be a smart move if you are looking for assets to go in a long-term investment portfolio that can deliver stellar but slow and steady returns.

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