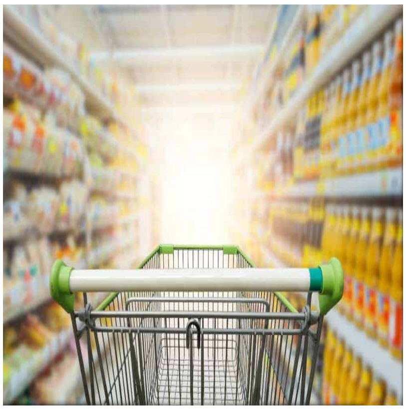

Market Slump Got You Down? Buy Loblaw Now

Description

The **S&P/TSX Composite Index** was up 91 points in late-morning trading on August 12. Every sector enjoyed an uptick to open the final trading day of the week, apart from the energy space. Canadian investors have a right to be in a down mood, considering the build-up of negative news over the past few months. TSX equities dipped and have been in a holding pattern since the late spring. Meanwhile, experts and analysts have continued to warn of the rising potential of a recession over the next two years.

Investors looking for a reprieve from volatility may want to consider snatching up **Loblaw Companies** (TSX:L) stock right now.

Should Canadians be discouraged by the market slump?

Canadians and most of the developed world have been able to gorge on hot markets over the past decade. Central banks in these nations have pursued a policy of historically low interest rates and aggressive quantitative easing. Quantitative easing involves a central bank purchasing securities from the open market. This has propped up markets effectively since the policy was introduced.

This policy hit a roadblock after the COVID-19 pandemic. The historic supply chain crisis has contributed to soaring inflation, which put central banks in a bind. Rate tightening is now unavoidable. Meanwhile, Canadians are over-leveraged and rising interest rates may seriously punish consumers in the months and years ahead.

In this environment, Canadians should look to target a stock that has thrived in the face of this market slump.

Here’s why Loblaws is a great option in the face of volatility

Loblaws is the largest grocery retailer in Canada. This retailer and its peers have enjoyed big sales growth, as food prices have surged over the past year. Shares of this stock have climbed 15% in 2022 at the time of this writing.

The company unveiled its second-quarter fiscal 2022 results on July 27. Loblaw delivered revenue growth of 2.9% to $12.8 billion. EBITDA stands for earnings before interest, taxes, depreciation, and amortization. This financial measure seeks to give a more accurate portrait of a company's profitability. In Q2 2022, Loblaw achieved adjusted EBITDA growth of 9.3% year over year to $1.49 billion. Meanwhile, adjusted net earnings available to shareholders climbed 22% from the previous year to $566 million. Moreover, adjusted diluted earnings per share (EPS) jumped 25% year over year to $1.69.

On the operational side, the company announced that it had acquired Lifemark Health Group. This will bolster Loblaw's growing position in the healthcare service provider space. Meanwhile, it launched PC Express Rapid Delivery, which will make grocery and convenience items available through an express delivery in 30 minutes or less. This was done in collaboration with DoorDash.

Is Loblaw worth buying right now?

This stock has been able to defy the market slump over the past several months. That should not come as a big surprise, as its business has been able to gorge on high inflation rates. The stock currently possesses a very solid price-to-earnings ratio of 20. It offers a quarterly dividend of $0.405 per share, which represents a modest 1.3% yield.

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