

Tasty stock in the food aisle: Metro Inc.

This Quebec consolidator now boasts of 51 consecutive quarters of net earnings growth

By Sunil Vidyarthi

Has the time come already to say goodbye to this bull market? I hope not, but there are signs and this time I really, and I am sure you too, would like

to be early for the slide, not hopping and praying that it stop. Or, have you forgotten that feeling?

Where do I see those signs? There are many. Some are talking about \$500 an ounce of gold, many are quite content with paying 50, 60, or even 100 times earnings for stocks, and say it doesn't really matter, tech investors don't really talk about P/Es, you know.

I agree, it doesn't, it never did but you have to be prepared to be take a hit when it comes, and come it will.

But my favorite sign is the number of ads for newsletters, software, trading platforms and brokerage accounts. I found one that was especially intriguing. I won't name names, because who wants trouble from guys who seek trouble.

The ad said something to the effect that if you want to know how to tell whether it is too late to catch a runaway stock market, go for our free trial. I did. Do you want to know his answer to the question? He says roll the dice.



Sunil Vidyarthi

Yep, we are nearing the end of the bull market, or at least a top. But before you go out and dump all your stocks and hide in bonds, which incidentally don't look all that hot at this moment either, I must remind you that madness and bubbles are unpredictable.

That is if you didn't learn that yet. There were guru's calling for the end of the last bull market and nodding to the irrational exuberance speech since 1996 and watching their money and career evaporate in the next three years. And just when you think it won't happen again, it will. Welcome to the casino.

So, what do we do, professor? Forget about theories, asset allocation and hedging with gold and commodities. Make it simple. What do you want, fast money and lots of ups and down or slow but steady growth?

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I can play with numbers as well as many, and can tell you that in the end, most returns converge.

Meaning most strategies, be it value investing, or growth, small or large cap, domestic or international, end up producing the same return over the long term

My advice is find the right poison and drink it in a slow enough dose that it doesn't kill you. I am referring to stocks, of course.

One ignored or maligned sector is the grocery-store business. Safeway just reported bad numbers in the U.S. and none of them is doing all that well here as well. We have three big ones — Sobeys (not good numbers recently), Loblaw's (already too expensive on a P/E basis, and here it does matter) and **Metro Inc.** (MRU.A-TSX, \$19.57, 514-643-1000, www.metro.ca).

I like the last for the following reasons. Metro is the consolidator in Quebec, a province that seems to be coming out of the dark economic cloud, and we hope it lasts. The company has been growing and stock has been a performer over the last five years.

Your investment in Metro would be up by over 100 per cent since 1998, compared to a break-even (finally) with S&P 500. Don't take my word for it, here is what the company said at a recent investor meeting.

"The company completed its 51st consecutive quarter of net earnings growth. This performance gives us confidence that

with our ongoing retail network-investment program and our effective merchandizing strategies the company will continue to maintain its growth," said Pierre H. Lessard, President and CEO.

Net earnings for the first 40 weeks of 2003 increased by 16 per cent (19 per cent fully diluted) over last year, and sales increased 9.9 per cent in the third quarter. All company sectors contributed to this sales growth.

Metro has little long-term debt, too. Third-quarter interest expenses fell to \$0.4 million compared to \$0.9 million last year. The third-quarter financing costs averaged 4.8 per cent against three per cent last year.

Interest expense for the 40-week period fell to \$1.9 million compared to \$2.4 million for the corresponding period of the previous fiscal year. Long-term debt decreased during the fiscal year to \$10.3 million. The debt to equity ratio at the end of the third quarter stood at 0.01:1.

During the 40-week period, the company has purchased, in the normal course of its activities, 857,400 of its Class A subordinate shares at an average price of \$18.78 per share. Metro is authorized to purchase up to four million of its Class A subordinate shares.

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