



## Here's to the ABC's of Consumer Non-Cyclical Stocks

### Description

Consumer non-cyclical stocks. Nobody wants them, but everyone should own them.

They are the unloved companies of the TSX where growth, while not spectacular, tends to keep coming year after year. Otherwise known as “defensive” stocks or consumer staples, these are companies such as **Saputo Inc.** ([TSX:SAP](#)), whose businesses you can count on over the long haul.

But which ones should you own?

Every once in a while, I like to create fun articles that provide readers with stock ideas they might not have thought of — articles that jog the old noggin.

Today, I'd like to talk about the ABC's of consumer non-cyclicals, and I'm not referring to the checklist of things you should look for when buying these types of stocks. Rather, I'm looking for three consumer non-cyclical stocks whose company name begins with the letter A, B, or C.

### Letter A

Fool.ca contributor Ryan Goldman recently [discussed](#) the attractiveness of **Andrew Peller Ltd.** ([TSX:ADW.A](#)) stock. The Canadian winemaker has a beautiful winery just down the road from Toronto in Niagara on the Lake. Right beside Peller is Two Sisters Vineyard, one of my favourite places to have lunch when in the Niagara area. But I digress.

As Goldman noted in his article, Peller's stock was up 73.5% in 2016 — all but 1.5% of it from capital appreciation. It seems that the Ontario government's move to put Ontario wines in grocery stores, while also encouraging winemakers such as Peller, who has a licence to sell wine around the province through its 100 proprietary wine shops, has gotten investors very pumped about its future.

As I said earlier, consumer non-cyclical stocks like Peller are slow growers — but consistent as all get out. Peller has increased top-line revenue every year for the last decade while operating income has increased in most of those years. More importantly, its operating margin is nearing historical highs.

While it only yields 1.4%, it hasn't had a negative annual total return since 2008. In November, CEO John Peller convinced board member Randy Powell to join the company full time as its president. Given Powell's background, it says a lot about Andrew Peller's future growth.

It's my favourite of these three picks.

## Letter B

Next up is Kitchener Waterloo's **Brick Brewing Co. Limited** (TSX:BRB), maker of beers under the Waterloo, Laker, Formosa, Red Cap, and Red Baron brands.

Back in June, I [recommended](#) investors have a look at Brick Brewing because at \$2.20 a share, Brick stock was too cheap to ignore. It's now around \$3 — up more than 35% in six months.

What did it for me was the deal it announced earlier in 2016 that saw it obtain the Canadian rights to LandShark Lager and Margaritaville Classic Margarita Coolers, two products created around Jimmy Buffett's laid-back persona.

It was almost like a coming of age for the brewer that got its start in 1984 under the watchful eye of founder Jim Brickman, who's no longer part of the company.

Its third-quarter results announced December 9, 2016, were a thing of beauty. Revenues increased 13.3% to \$11.1 million, gross margins improved by 860 basis points to 34.3%, and EBITDA grew 33% to \$2 million, a margin of almost 20%.

With a 2.2% dividend yield, income investors might want to give this beer maker a look because it's back in growth mode.

## Letter C

While I probably sound like a broken record, **Corby Spirit and Wine Ltd.** ([TSX:CSW.A](#)), the third liquor-related investment in my ABC's, is the consumer non-cyclical stock for income investors to own.

First, it currently yields 4%, and that will likely remain the case as long as it continues to pay out at least 85% of its net earnings earnings from the preceding year.

Second, in September, it closed on its acquisition of Domaines Pinnacle Inc., maker of several liquor brands, including the Ungava Premium Canadian gin, Chic Choc spiced rum, and several liquor brands. Corby has the distribution to grow these popular brands.

Lastly, and again, what should really matter to income investors, is the fact that Corby is majority owned by **Pernod Ricard**, one of the biggest liquor companies in the world. Corby brings to the table a history of selling booze in Canada, and Pernod Ricard brings the financial wherewithal to keep Corby growing.

Your 4% is secure.

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1. TSX:ADW.A (Andrew Peller Limited)
2. TSX:SAP (Saputo Inc.)

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