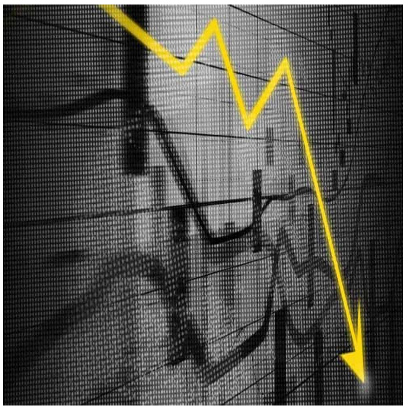

Dividend Investors: This Wide-Moat Retail Stock Is Recession Ready

Description

Following the market roller coaster of **Beyond Meat** and the flurry of interest in its partnership with **Restaurant Brands International**, I'm going to take a quick look at whether there's a better investment than the Tim Hortons owner for a recession-ready portfolio.

Fast food vs. long-term stability

It's arguable that the U.S. markets carry better alternatives to Restaurant Brands, such as **McDonald's** and **Darden Restaurants** when you factor in shareholder returns and the overall bang for your buck. However, in these challenging times, it may be better to stick to a consumer staple stock that can tie in with recession prepping. In other words, investors looking for hardy stocks may be better served by a grocery stock than a fast-food one.

I would argue that, while Restaurant Brands is a compelling pick, it has its flaws. Its large dividend ratio last year means that its payments may have peaked too quickly, leading to a possible reduction, which won't sit well with investors. Additionally, it's potentially putting all its eggs in one basket with its China expansion of Tim Hortons, instead of streamlining and focusing on its strongest performers.

Instead, I'll be looking today at **Loblaw** (TSX:L). As a groceries retailer, it arguably stands to see some small boost from association with Beyond Meat, though not as directly as Restaurant Brands. Instead of focusing on that, though, I'm going to look at the argument for holding a retailer instead of a restaurant stock ahead of a potential broad market downturn.

A company with a serious economic moat

One thing that makes Loblaw such an interesting pick is its access to the medical marijuana sector through its ownership of Shoppers Drug Mart. While it's likely that you've noticed that Shoppers sells cannabis products, you might not have considered the implication this has when it comes to retail investment and perhaps not the connection with Shoppers's new parent company.

In short, buying shares in Loblaw gives you exposure to Beyond Meat as well as Canadian cannabis, while offering a recession-proof stock unlikely to be severely impacted by a market correction. I can't say that Tim Hortons, Burger King, or Popeyes would be anywhere near as immune to recession as a groceries outlet. And if you're going for a groceries retailer, it makes sense to go for the biggest one in Canada. It's diversified, too, covering food, clothing, and even banking.

A 1.79% dividend yield may not be as high as some income investors might like, but the growth and market share of Loblaw is likely to result in increasing rewards for shareholders. The company is also big into customer retention, having rolled out a loyalty program that's one of the most comprehensive in this space, with the takeaway that investors are likely to see an assured revenue stream even if the economy takes a downward turn.

The bottom line

With its focus on growth and innovation, Loblaw is a compelling choice in the grocery retail space. As a consumer staple stock, it has a lot going for it, from affordable lines of goods to essential medical supplies through Shoppers Drug Mart. As a dividend stock, this growth combined with steady payments makes it a solid choice for long-range investors looking for passive income.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/08/26
Date Created
2019/06/21
Author
vhetherington