



1 Stock to Buy to Protect Against a Recession

Description

Ritchie Bros. Auctioneers ([TSX:RBA](#))([NYSE:RBA](#)) is an industrial auctioneer with auction houses in 14 countries. It holds live and online auctions on industrial equipment used in forestry, mining, material handling, oil and gas, and agriculture. It also auctions agricultural lands. Even with a dip in its stock price in 2018, Ritchie Bros. Auctioneers had a five-year total return of 107.66%. Ritchie Bros. Auctioneers experienced a 20.77% year-on-year revenue growth. The stock dipped but didn't collapse in the 2008 crash.

Ritchie Bros. Auctioneers is geographically diverse with live and online auctions throughout North America, Europe, the Middle East, and Australia. The company has entered a preferred partnership with **Caterpillar** as a [preferred global partner](#) for live and online auctions.

Let's examine a few industries that are headed for a recession. According to a series of interviews of economists by *Rental*, a magazine focused on the equipment and event rental business, American housing starts are down, and there are no federal plans to increase spending on U.S. infrastructure. Apartment construction is evening out, and the building of single-family homes has slumped. Tightening market conditions will prompt more companies to buy second-hand equipment to save cash.

In relation to the agricultural industry, small farms are struggling in current market conditions. In 2017, Wisconsin lost 500 farms. In 2018, net incomes of Canadian farmers plunged by 21%. In Canada, farmers are scaling up their operations or leaving the industry. As smaller farmers sell off their farms and related equipment, they'll turn to auction companies like Ritchie Bros. Auctioneers.

In southern Alberta, 31 energy companies are on the brink of insolvency. If they declare bankruptcy, their creditors will sell off assets to repay debts, and the creditors will turn to auction companies like Ritchie Bros. Auctioneers to do it.

Above, I've outlined the unique position of Ritchie Bros. Auctioneers to make a profit on the downward slide into a recession. As the economy emerges from the recession, start-ups and established companies will be looking for deals on equipment — deals Ritchie Bros. Auctioneers can facilitate.

Let's look at more numbers. Total revenue in Q2 2019 increased 27% to US\$393.2 million compared to

Q2 2018. Total selling and general administrative expenses from Q2 2019 decreased by 4% compared to Q2 2018. Gross Transaction Value (GTV), the total proceeds from items sold during live auctions and online auctions, was Ritchie Bros. Auctioneers's highest ever and came in at US\$1.5 billion.

Buying into Ritchie Bros. Auctioneers is a creative way to purchase industrials. **Tractor Supply Company's** stock has had a yo-yo ride in the last two years with 45% swings. **Alamo Group** has had some wild 30% swings in recent years. I love roller coasters — just not when stocks are along for the ride. In the last two years, **Deer & Company's** stock looks like a heartbeat on a monitor with frequent increases and falls of 20%.

Now is the time for Ritchie Bros. Auctioneers to approach other heavy equipment manufacturers such as Tractor Supply Company and Deer & Company to negotiate preferred global partner contracts. In so doing, they would cement their position as leaders in the industry.

With Ritchie Bros. Auctioneers, you can make money going into the [recession](#), throughout the recession as companies merge, and coming out of it as companies look to rebuild.

CATEGORY

1. Investing

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2. TSX:RBA (Ritchie Bros. Auctioneers)

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