2 High-Growth Stocks With Minimal Downside

Description

Finding growth stocks in defensive sectors is an easy way to minimize your downside when it comes to investing.

One of the top defensive sectors in the market is convenience and fuel retailing. Many of the products sold in convenience stores such as lotto tickets and tobacco are staples, meaning they are recession proof. As a matter of fact, during the last two recessions, convenience sales grew in North America.

In addition, fuel retailing is mostly recession proof as well. It's an industry that may see a slight reduction in volumes, but due to fuel and energy being a necessity, it won't severely impact the health of the business.

The fact that the industry is defensive only makes growth stocks in that industry even more attractive, as investors can be exposed to the best of both worlds: a growth stock in a defensive industry.

Two companies worth considering are **Parkland Fuel** (TSX:PKI) and **Alimentation Couche-Tard** (TSX:ATD.B).

Parkland

Parkland is a leading convenience and fuel marketer that operates through its wholesale, commercial, and retail segments. It operates in Canada, the U.S, the Caribbean, and South America.

In Canada, its rollout of its On the Run brand has been very successful, helping the company to consistently have same-store sales growth (SSSG) for 14 straight months across its retail business.

In the U.S., Parkland just recently announced its acquisition of Tropic Oil, which is based out of Miami. Tropic Oil transports, distributes, and markets fuels across Florida.

The acquisition is another step toward Parkland building its U.S. footprint and should provide meaningful synergies down the line.

The company will continue to grow through high-quality acquisitions as well as organic growth. The increased focus on Parkland's branding is something it thinks will pay off, driving higher customer loyalty and more customer traffic in its stores.

Its returns have been impressive, and it has a trailing 12-month return on equity of more than 18.8%. With such impressive growth, a price-to-earnings ratio of 20 times is justified, especially considering the company is defensive as well.

Couche-Tard

Couche-Tard is a massive company that has operations across Canada and in 48 of 50 states. In addition, the company also has a number of stores across Europe and internationally. It's so large it has the second-highest revenues of any company on the TSX.

Its SSSG has been positive for the last six quarters, as it continues to grow its Circle K brand to increase customer retention. 81% of its stores in Canada are now under the Circle K banner as well as 75% of its stores in the states.

South of the border, Couche-Tard estimates it has about 6% of the market share, which it thinks gives it lots of room to grow through strategic acquisitions and consolidation.

Couche-Tard is also very attractive because of its financial efficiency. Since 2011, it's converted more than a third of its earnings before interest, taxes, depreciation, and amortization (EBITDA) into free cash flow. Furthermore, with a net debt to EBITDA of just two times, its debt is reasonable and sustainable.

Couche-Tard will continue to grow its business globally and will no doubt reward long-term investors, as it is one of the best companies at creating value for shareholders.

Bottom line

Adding defensive stocks can always seem like a bit of a hassle because if you don't your portfolio could be at risk in a recession, but if you do you may miss out on some upside in the market.

That's why finding growth companies in defensive industries is such a prime opportunity, especially if you need to replace stocks in your portfolio that are due to be sold.

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danieldacosta