



This Defensive Growth Stock Is Perfect to Hold in a Down Market

Description

When going on the hunt for stocks that can [hold their own](#) come the next economic downturn, you've got to look to the companies with steady cash flow streams that'll be minimally impacted as consumer confidence fades. In a down market, consumer discretionary stocks tend to take "double damage" while regulated utilities and consumer staple stocks tend to dampen the downside.

[Recession fears](#) have crept higher over the past few weeks, and with the recent market rotation out of growth and into value, many of our favourite recession-resilient stocks are now at all-time highs with overly rich valuations.

The price of admission to many recession hideaways like the utilities have gone up, but there are still bargains out there for those willing to look. One recession-proof name that's actually on sale is **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)), a solid waste services company that's currently down 5% from its high after facing challenges in its recycling business.

For the second quarter, Waste Connections reported in-line results that were overshadowed by a fall in recycled commodity prices, which were down a whopping 47% year over year. The pressures in the recycling segment are largely out of the hands of management, but the negativity that followed the release of the Q2 results, I believe, is overblown given the fact that the solid waste business remains strong and the appetite for defensive stocks has gone up amid the recent bout of volatility.

Come the next recession, investors in Waste Connections can expect unmatched cash flow stability and continued dividend growth. While the amount of solid waste does surge in a strong economy, as consumers increase their discretionary spending habits, the amount of waste doesn't suddenly vanish when times are tough. Waste Connections will still need to take out the trash when the recession hits, and that's money in the bank for the dividend-growth king that'll continue turning trash into cash.

While shares of WCN have pulled back in recent months, the stock isn't exactly a value play. At the time of writing, the stock trades at 23 times next year's expected earnings and 4.7 times sales. Given the defensive growth characteristics of the name, however, I suspect defensive investors will have a chance to bag a bargain, as shares continue to retreat on poor recycling numbers.

If we are, in fact, headed for a recession, as the inverted yield curve suggests, Waste Connections could be a screaming bargain today. Unless you're keen on taking a "risk-off" approach at any cost, I'd be patient and wait for a better entry point at around \$115.

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