1 Top Growth Stock to Own Through a Recession

Description

Great Canadian Gaming (TSX:GC) is a high-quality company that has had one of the best operational performances in Canada recently.

In the last few years, the growth projects it has taken on and new casinos it's added to its portfolio have helped to shape this company into one of the most exciting prospects on the TSX.

It has done a number of renovations and rebuilds as well as some re-branding to drive new customers and expand its offerings to the communities it operates in.

Investors may be concerned about how Great Canadian could hold up in a potential recession when money is tight; after all, it's a casino and gambling company.

Luckily for investors, we can get a good idea of how it may perform, by analyzing **GameHost's** (TSX:GH) numbers. GameHost is also a casino operator; however, all of its assets are located strictly in Alberta.

In fact, its assets are located in oil-dependent towns, so although the overall economy of Alberta isn't terrible, the regional economies are suffering a lot more.

This is especially evident in towns like Fort McMurray, where it operates its Boomtown Casino, one of its three gaming locations.

Regardless of these major economic issues, GameHost's operations have been resilient.

Though its sales have undoubtedly been impacted, it's done a great job to manage its costs and keep its profitability from slipping severely. Its margins have decreased slightly, but the company is still managing to keep them respectable.

It's also managed to keep its return on equity near 15%. GameHost did have to trim the dividend a couple of times, but that's a small price to pay to ensure its survival when the economy is tanking. Plus, it still yields roughly 8.3%, so investors are still receiving a handsome payout.

Looking at Great Canadian and its strong operations that are diversified geographically, it looks as though it would hold up just fine in a recession.

Its casinos and racetracks are located in highly populated areas, and with the addition of new games and services designed to increase revenue per consumer, the company shows a lot of promise.

So far, Great Canadian has managed to increase its revenue and profitability considerably. In the first six months of this year, it's already increased its revenue more than 20% from the same point last year.

That's even more impressive when you consider that in the first half of last year, the company increased revenue roughly 90% from 2017.

The addition of these new assets brought on additional debt for Great Canadian, but so far this has paid off in a major way. In 2018, and now for the trailing 12 months, Great Canadian's return on equity has been north of 30% — a major increase from the previous levels, which were already impressive at roughly 20%.

The large profit margin it's making suggests that Great Canadian has a considerable margin of safety, and since it doesn't pay out any of its cash flow through a dividend at the moment, the company is in a flexible position.

Currently, Great Canadian is sitting just off its 52-week lows, so an investment today may be the best opportunity you get in the short term, especially considering how cheap it is when factoring in its growth potential.

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