



2 Top Recession-Proof Growth Stocks to Buy Today

Description

Regardless of recent market gyrations, growth stocks continue to attract considerable attention. Two stocks that have performed strongly, despite an increasingly difficult operating environment, are **Parkland Fuel** ([TSX:PKI](#)) and **Dollarama** ([TSX:DOL](#)), which have gained 24% and 28% since the start of 2019, respectively.

While fears of a global economic slowdown continue to weigh [on the outlook](#) for growth stocks, investors should not be deterred from adding Parkland and Dollarama to their portfolios. Both businesses offer the potential to access outsized returns while being relatively resistant to economic downturns, because they possess wide economic moats and products, which remain in demand no matter how weak the economy.

Canada's largest independent fuel distributor

Parkland, through a series of accretive acquisitions, has grown its operating footprint and earnings at a rapid clip, which ultimately has seen it deliver a massive 383% when including dividends over the last 10 years, which is an annual average of 17%. The company's acquisition of 75% of the outstanding shares of Sol Investment expanded Parkland's operations into the Caribbean and South America, reducing its dependence on North America to generate earnings. This will mitigate the impact of an economic slump in North America on its earnings.

Parkland has experienced solid earnings growth with its second-quarter adjusted EBITDA, growing sevenfold compared to the same period in 2017 to \$370 million. Net earnings have also soared over that period, growing from a \$1 million loss for the second quarter 2017 to a profit of \$111 million for that period in 2019.

Parkland's earlier deals will continue to drive earnings growth, as the company unlocks further synergies and continues to drive organic growth through a range of initiatives, including revamped convenience store designs and expanding supply opportunities. This will give Parkland's earnings, and ultimately its stock, a healthy lift. Relatively inelastic demand for fuels and the wide economic moat created by Parkland's scale make it relatively immune to the impact of a recession, meaning it is a top

growth stock to own even during economic slumps.

Investors will be rewarded by Parkland's steadily growing dividend, which, after being hiked for the last six years straight, is yielding just under 3%.

Growing discount retailer

Another top Canadian growth stock is Dollarama, which has generated a total return, including dividends, of 1,359%, or 31% annually over the last 10 years. Dollarama has proven itself resilient to not only economic downturn but also to the retail apocalypse, where the rapid acceptance of online shopping and e-commerce has triggered a massive transformation of brick-and-mortar retailing.

The reason for this is quite simple; Dollarama operates dollar stores, which appeal to lower-income customers and those on a budget. Typically, during economic downturns, consumers become more budget conscious, thereby increasing the appeal of dollar stores and demand for the products they sell.

The dollar store retail model is also relatively immune to the [transition underway](#) among brick-and-mortar retailers, because it is not economic to sell, package, and transport the low-margin, low-value items sold through those types of stores. Dollarama continues to report solid growth: second-quarter 2019 year-over-year sales grew 9%, the number of stores grew by 6% year over year to 1,250, and EBITDA rose by 3% to almost \$282 million.

There is strong growth ahead for the retailer. In early July 2019, Dollarama acquired a 50.1% interest in Latin American dollar retailer Dollar City, which, by the end of the second quarter 2019, had 192 stores, comprised of 91 in Colombia, 45 in El Salvador, and 56 in Guatemala. This provides Dollarama with a second platform that diversifies its operations away from Canada, enhancing its growth profile. Dollarama's strategy — aimed at unlocking efficiencies among existing stores, opening new stores, and increasing the attractiveness of shopping at Dollarama outlets — will continue to boost earnings.

For these reasons, it is easy to see Dollarama stock appreciating further and its ability to deliver further value for shareholders.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:PKI (Parkland Fuel Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
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