



Market Crash 2020: 1 Defensive TSX Stock to Ride the Downturn

Description

Everyone is worried about the impact of the Coronavirus. The stock markets are reacting negatively, and if the fears of the virus continue for another month, there could be serious repercussions across the globe. What does a smart investor do in a situation like this? They search for safe havens, of course! They look for an industry that stands to benefit from the panic caused by Coronavirus.

If there is a medical emergency, the first thing that people go for is bottled or filtered water. Water has to be consumed in large quantities throughout the day. And people have to drink water daily. It makes sense to look at a large water supplier in the Western world.

Cott (TSX:BCB) is a water and filtration service company with a leading volume-based national presence in the North American and European home and office delivery industry for bottled water. Its platform reaches over 2.5 million customers or delivery points across North America and Europe in 21 countries.

The numbers game

The company released its fourth-quarter and full-year results for 2019 recently, and the numbers look good. Revenue for the December quarter was flat at \$600 million (increased by 4%, excluding the impact of foreign exchange, the divested Cott Beverages LLC business, and the change in the average cost of coffee). Adjusted EBITDA increased 22% to \$85 million compared to \$70 million, driven primarily by improved operating leverage.

Revenue for the year increased by 1% to \$2.4 billion in 2019, and adjusted EBITDA was \$329 million compared to \$307 million in 2018. Free cash flow came in at \$135 million.

Cott is targeting full-year 2020 revenue growth from continuing operations of 4-5%, adjusted EBITDA of \$300-\$310 million, and adjusted free cash flow of \$115-\$125 million.

It's all about water

In January 2020, Cott announced the sale of its S&D Coffee and Tea business to Westrock Coffee Co for \$405 million in cash, as it now wants to focus on its water business. Last month, Cott had announced the purchase of U.S.-based Primo Water for \$549.4 million, as it looks to strengthen its presence in the bottled water business in North America.

The acquisition is expected to close in the first week of March 2020. "We're confident we will capture the previously identified \$35 million in cost synergies through the integration of Primo and becoming a pure-play water company, deliver margin expansion, and drive increased organic growth as a pure-play water solutions provider," said Thomas J. Harrington, CEO at Cott. The company is clearly betting big on Primo.

Analysts think Cott has a potential upside of over 22% from its current levels of \$15.1. If Coronavirus fears continue, demand for bottled and filtered water will go up.

[Fool contributor Chen Liu](#) said the intrinsic value for Cott is \$15.71, which means the stock is trading below its intrinsic levels now. This is a good stock, and enterprising investors would do well to add it to their portfolios.

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