



2 Top Recession-Proof Stocks to Buy Now

Description

There are only a few industries that are the best to be invested in during a recession. The top industries include utilities, healthcare, consumer staples, and residential real estate.

These industries are all great choices, because the businesses that operate in them will see their operations affected much less due to the importance of the goods and services they provide.

For most companies, operations will still be affected one way or another, but not as significantly as companies operating in other industries.

A recession hasn't even started in Canada yet, but due to high consumer debt loads, many restaurants, for example, are already seeing a decline in sales. An example would be **Boston Pizza**, which saw its same-store sales dip by 2% in 2019.

Two of the highest-quality consumer staple companies to own today are **Dollarama** ([TSX:DOL](#)) and **Alimentation Couche-Tard** (TSX:ATD.B).

Dollarama

Dollarama is a dollar store chain operating across Canada with more than 1,200 stores.

The company isn't necessarily a consumer staple, but because it competes with other big-box stores and generally sells inferior goods, its business could actually potentially see a spike in traffic, as consumers look for cheaper alternatives to buy the items they need during a recession.

The company has been growing rapidly in Canada over the last number of years. When growth in Canada reached capacity, Dollarama looked elsewhere, finding a great deal in Dollar City.

Dollar City is a Latin American dollar store chain that will provide continued growth opportunities for Dollarama.

From 2015 to 2020, the stock was up more than 120%, growing exceptionally fast while it expanded its operations. It's a high-quality business with a major competitive advantage and well-known brand.

Its performance during this market meltdown shows just how great of a company Dollarama is. From February 24 until Wednesday's close, the TSX was down roughly 20%, and Dollarama's stock was actually up around 1%.

Even though the price of its shares hasn't gotten any cheaper, like others, it still trades at a reasonable valuation.

At just 23 times earnings, that's not bad for a company that's been growing extremely fast and will protect your capital in a recession.

Alimentation Couche-Tard

Alimentation Couche-Tard is a global convenience store and gas station operator. Although consumers may cut their gas spending in a recession, in general, gas sales won't be impacted that much.

In addition, a lot of products sold in convenience stores, such as lotto tickets and tobacco, are also staples. Consumers will forgo other items to have the cash to purchase these.

Like Dollarama, the company has been a high-growth stock the last decade, taking advantage of the recent bull run.

From 2015 to 2020, the stock gained upwards of 65%. Not as much as Dollarama, but Couche-Tard's market cap is nearly four times the size of Dollarama's. The major size of its company limits its growth potential, although it strengthens its resiliency.

Despite its growth the last few years and the fact that it's rewarded investors well, the stock can also help to protect your portfolio and wealth through a recession.

It hasn't fared as well as Dollarama since the market turmoil began; however, in the period since February 24 in which the TSX has been down roughly 20%, Couche-Tard is down less than 10%, showing the stock's reliability and lower [volatility](#).

Bottom line

Everywhere you look these days the uncertainty is growing. One thing we can be certain about is that investors who protect their capital and buy businesses that are trading at discounts today will be much better positioned for the rebound whether we end up seeing a prolonged recession in the meantime or not.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

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