Coronavirus Market Crash: Where to Invest $6,000 Right Now

Description

The coronavirus pandemic has rightly spooked investors. With consumer spending expected to plunge in the near-term, several industries, including airlines and hospitality, have been severely impacted already.

Airline stocks the world over have crashed to multi-year lows, as have stocks of hotels, restaurants, and travel booking platforms. So where do investors park their funds as bond yields have also fallen to record lows?

Alimentation Couche-Tard seems a safe bet against the coronavirus

The global population is staying indoors as social distancing and self-quarantine have taken top priority. But people still need to eat and hence convenience stores such as **Alimentation Couche-Tard** (TSX:ATD.B) seem a solid bet.

The company sells goods for immediate consumption through a network of stores and franchises. It sells a range of products including tobacco, grocery items, candy, snacks, beverages, wine, and beer among others. ATD is well-diversified with 12,575 convenience stores across North America, Ireland, Scandinavia, Russia, and the Baltic regions.

ATD aims to double profit margins in the next five years, which might mean its forward price-to-earnings multiple of 14 is extremely attractive right now. While most indexes are down over 33% in the last month, ATD stock is down just 22%.

ATD is trading at a low price to sales ratio of 0.47 with an enterprise value to sales ratio of 0.84. Investors can also consider adding similar companies such as **Walmart** and **Dollarama** to their portfolio.

Constellation Software Inc.

While most tech stocks have been decimated, one Canadian giant has managed to hold its own amid the coronavirus selloff. High growth tech stocks such as **Shopify** and **Lightspeed** are trading 43% and 76% below their record highs.

Comparatively, shares of **Constellations Software** (TSX:CSU) have lost 25% in the last month. CSU has been a massive wealth creator for long-term investors. The stock went public back in May 2006 and rose by a staggering 8,000% at the end of January 2020.

Despite the pullback, early investors have returned market-beating returns of over 6,200% since its IPO, suggesting that a $6,000 investment in CSU back in 2006 would have been worth $372,000 right now.

The company has a unique business model where it acquires and builds vertical market software businesses. CSU buys tech companies with sustainable revenue growth and robust profit margins. These companies are generally valued in the range of $5 million and $10 million.

CSU gives equal importance to growth and earnings, which has helped boost investor returns exponentially. The acquired companies provide mission-critical software services across industries including biosciences, public housing, asset management, and many others. As the services are mission-critical, CSU experiences a high customer retention rate driven by high switching costs.

CSU was one of the few top-performing companies in the TSX during the financial market crash of 2008. Its wide portfolio of products and services results in a diversified revenue base, making it a non-cyclical or all-weather company.

The 25% decline in Constellation Software stock is an opportunity to buy a high-growth tech stock at an attractive valuation. Despite the price plunge, CSU shares are trading at a forward price to earnings multiple of 32 — more than two times the multiple for the **S&P 500,** and this might make value investors wary.

However, once the market stabilizes, CSU shares will move up really fast, making it one of the top bets of growth investors in an uncertain environment.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:CSU (Constellation Software Inc.)

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Date
2025/09/14
Date Created
2020/03/19
Author
araghunath

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