TFSA Investors: A Top Stock to Buy for the Imminent Recession

Description

The stock market posted some of the worst days since the Great Depression this month. After the dust had a chance to settle, some of the best days since the 1930s followed. While there are talking heads bringing up the "d" word (depression) over the rapid surge in job losses as a result of the coronavirus (COVID-19) pandemic, it's also worth remembering that unprecedented fiscal and monetary policy could help us avert a potential disaster.

We just don't know what's to become of the future in these highly uncertain times or if the injection of billions (or trillions, in the case of the U.S.) can help the economy post a quick recovery, as some cautiously optimistic investors expect.

With no room for the Fed to move, we could be on the path of negative interest rates. As weird as negative rates may seem, they're nothing to be afraid of, at least according to Warren Buffett. The longer-term consequences of negative rates and massive fiscal stimulus are still mostly unknown. But one thing is for sure: stocks could prove to be insanely undervalued if, in fact, we're to suffer a recession that's milder in nature than the one sustained during the Financial Crisis.

Make no mistake; the coronavirus has caused a financial crisis of its own. But this time, the Fed and everybody else has made it clear that they're willing to throw everything but the kitchen sink to prevent the second coming of the Great Depression.

At this juncture, a recession is almost a certainty. But given the stock market is forward looking, it makes no sense to shun stocks, since something between a mild and a severe recession is already baked in. If Canada and the U.S. can pull through this pandemic with their economies intact, stocks are nothing short of a steal at these levels.

A defensive growth stock at a bargain-basement price

Alimentation Couche-Tard (TSX:ATD.B) is a stock I've been buying aggressively amid the market crash. Not only is the convenience store kingpin a relatively safe place to hide during a pandemic, but it's also a rare consumer staple that can continue growing through the recession that the coronavirus is going to leave behind.

Moreover, Couche-Tard is also priced for perfection, with shares currently trading at 14.4 times next year's expected earnings and 0.4 times sales, close to the cheapest it's been in recent memory given the sustainable double-digit growth rate (revenue and net income averaged 20.1% and 15.5% in revenue growth over the last three years, respectively).

Couche-Tard is indeed a rare breed. It's a defensive growth stock that can hold its own and grow in economic downturns. The company sells staple products that tend to sell relatively well when it comes time for consumers to tighten the belt. But that's not why I'm a raging bull on Couche.

As you may know, Couche is a growth-by-acquisition story. It doesn't make deals for the sake of making deals. It only makes moves where it has some assurance that it can produce substantial value through synergies for long-term shareholders. The company acquires to create value, not to make headlines or to keep Bay Street analysts engaged.

CEO Brian Hannasch and company couldn't care less about short-term fluctuations. They're focused on the long term, as demonstrated by the firm's ambitious goal of doubling profits in five years.

As we head into times of recession, Couche will face hardships, but so will its competitors, allowing Couche to swoop in and acquire at considerable discounts. Couche is currently in talks to acquire Caltex Australia, a c-store firm that was already facing pressure before the pandemic hit. As the economy takes several steps back, I think Couche's chances of getting its desired price will stand to increase. And the lower the price paid, the more value will be delivered back to shareholders.

Foolish takeaway

Recession or not, Couche is ready to grow. With enough liquidity to pull the trigger on a significant deal, the recession may bring forth opportunities to get a heck of a lot more at a lower price. Moreover, with the possibility of negative rates on the horizon, Couche's M&A model could get a shot in the arm, as it's paid to consolidate an industry that's undergoing profound transformation at the international level.

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