



TFSA Investors: 1 Top TSX Stock to Buy Right Now!

Description

TFSA investors can look to add stocks to their portfolio, as the market seems to be on the road to recovery. While the COVID-19 threat continues to haunt the global populace, equity markets have gained 25% from yearly lows.

It's the first earnings season after COVID-19 arrived, and it's fair to expect that most companies will report less-than-stellar results. However, there are a few industries that haven't been too affected by COVID-19. In fact, some of them, like the communications industry, are seeing an increase in usage of their services.

Back in January 2020, [I had written](#) about **Cogeco Communications** ([TSX:CCA](#)), the eighth-largest cable company in North America. It operates under the Cogeco Connexion name in Québec and Ontario. Along the East Coast of the United States, it operates under the Atlantic Broadband brand name. I had recommended this stock as a good hedge against a recession. Of course, I had no idea about the impact that the virus was going to have on the world, but Cogeco has held up to my analysis.

The video and telephony services it offers come under the essential services category. Many people are working from home. The company has seen increased load throughout the day on its network.

Why Cogeco is a strong buy for your TFSA

The company [recently reported quarterly results](#) for the second quarter of fiscal 2020, and they are impressive. Revenue remained stable compared to the same period of the prior year and reached \$586.5 million. Adjusted EBITDA decreased by 1.1% at \$277.4 million in Q2. Net income amounted to \$114 million compared to \$80.8 million in the prior-year period of fiscal 2019.

Cash flow from operating activities increased by 16.1% to reach \$231.7 million mainly due to changes in working capital and the decrease in financial expense paid. Cogeco Communications has a strong liquidity position to weather the crisis with \$502 million of cash at hand and \$948 million in unused credit facilities as of February 29, 2020. This is an addition to the ongoing generation of positive free cash flow every month.

At a time when companies are cutting back or halting dividends, Cogeco has declared a quarterly eligible dividend of \$0.58 per share compared to \$0.525 in fiscal 2019, indicating a forward yield of 2.4%.

Philippe Jetté, CEO, said, "Due to the nature of the services offered by Cogeco Communications, we expect its results to be less impacted than other industries during the crisis. Although the pandemic is expected to affect revenues and EBITDA in the short term, we do not expect a significant impact on free cash flow as certain investment initiatives can be reprioritized."

Cogeco Connexion announced on January 29 that it will develop its network through 3,650 homes and businesses in Wellington and Lambton counties in Ontario. The company will deploy fibre along 192 kilometres of under-served roads and connect these homes and businesses by the end of 2021.

Atlantic Broadband (ABB) closed the Thames Valley Communication acquisition on March 10 for \$50 million. Thames Valley operates in the southeastern Connecticut region, a region contiguous with ABB's existing Connecticut network. When the situation related to COVID-19 stabilizes, Cogeco will be in a position to increase market share in these markets. Cogeco also continues to look for further value-accretive acquisition in the U.S. to accelerate growth.

Cogeco has withdrawn its financial guidelines for the balance of the fiscal year 2020. It will reinstate annual guidance when the situation stabilizes. I had said that this is a good stock to hold in a crisis. My view remains unchanged. This recession-proof stock is a must-have for your TFSA.

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1. Editor's Choice

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Date

2025/08/21

Date Created

2020/04/21

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