3 “Essential Service” Stocks That Will Survive COVID-19 Unscathed

Description

Amid the era of COVID-19, many companies are unable to operate normally. Those hardest hit include airlines, gyms and restaurants. Because their business models depend on people congregating together, they’ve been virtually forced to close.

Airlines, in particular, have been devastated thanks to the near-shutdown in international travel. In this environment, some stocks are doing OK, but others will keep getting crushed.

We’ll start to see the winners separated from the losers when earnings roll out this month. However, there probably won’t be any huge surprises. It’s already clear that essential service businesses will fare better than businesses that cater to discretionary spending.

If you pick stocks that provide such services, you may do better than the average investor. With that in mind, here are three essential service stocks that will survive COVID-19 unscathed.

Dollarama

Dollarama Inc (TSX:DOL) is Canada’s largest dollar store company, with an 18% share of Canadian discount retail. That’s a pretty large market share as it is. But remember that discount retail includes big-box stores like **Wal-Mart**. If we limit it to dollar stores, Dollarama’s market share is far higher.

Why does that matter?

It matters because dollar stores have two big advantages in the current economy. One, dollar stores that sell grocery items are able to remain open as essential services. Two, dollar stores in general offer low prices, which appeals to cash-strapped consumers.

Discount retailers always see their sales climb in recessions, and Dollarama confirmed that it got a boost in the first weeks of the COVID-19 lockdowns.

Canadian National Railway

The **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is Canada's largest railroad company. It ships goods like crude oil, coal and grain all over North America. Its crude oil and coal businesses are getting hit now due to lower demand. However, its shipping volumes are not down as severely as, say, air passenger travel.

In its most recent week, CNR saw carloads decline 16% year over year. In normal circumstances, that would be a bad thing, but remember, we need to compare CNR to other **TSX** stocks.

In an environment where passenger airlines can't fly and oil companies can't profitably sell their product, the hit to CNR's business has been minuscule, which makes today a good time to pick up the stock at a discount price.

Fortis

Fortis Inc (TSX:FTS)(NYSE:FTS) is Canada's largest publicly traded utility. It provides utility services for 3.3 million customers in Canada, the U.S. and the Caribbean. Like all utilities, Fortis is an essential service that can operate through the COVID-19 lockdowns.

Further, its core service is not typically affected too heavily by recessions. People keep paying their heat and light bills even during economic downturns, which can lead to solid earnings for utilities in these circumstances.

In Fortis' case, it managed to grow its earnings in 2008 and 2009, the worst years of the global recession — testament to the safety of utilities in even the worst economic times.

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Date
2025/08/25
Date Created
2020/05/03
Author
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