3 Safe Ways to Play This Panic-Stricken Market

Description

Hi there, Fools. I'm back again to highlight three companies that generate boatloads of cash flow. As a quick reminder, I do this because cash flow is used by management teams for shareholder-friendly moves such as:

- paying hefty dividends for income-seeking investors;
- buying back shares at depressed prices; and
- growing the business without having to take on too much debt.

While speculating on cash-burning weed stocks can be profitable over the near term, buying into high-quality cash producers remains the most prudent path to wealth.

So if you're looking for a way to defend against the sharp downturn, this list might be a good place to start.

IT factor

Leading off our list is IT services specialist **CGI Group** (TSX:GIB.A)(NYSE:GIB), which has generated $1.6 billion in operating cash flow over the past 12 months.

CGI shares have actually rallied nicely over the past month, giving momentum investors a rare opportunity. Specifically, the company's capital-light business model, wide geographic reach, and diversified services mix continue to fuel market-thumping results.

In the most recent quarter, for example, EPS of $1.26 topped expectations by $0.03 as revenue improved 2% to $3.1 billion. CGI also ended the quarter with an impressive backlog of $23 billion.

“Our diversified mix of critical services, vertical markets and multiple geographies helped, and is helping, mitigate the impact of COVID-19 on client demand,” said CEO George Schnindler. “The pandemic has created unprecedented business conditions and I am proud of our members’ ongoing commitment to ensuring service continuity for CGI clients in a safe and flexible manner.”

CGI shares are up about 20% over the past month.

Electric opportunity

With $1.5 billion in trailing 12- month cash flow, electricity giant **Emera** (TSX:EMA) is the next cash cow on our list.

Emera shares have also held up quite well during this crash, suggesting that it’s a recession-proof business worth betting on. Specifically, the company’s scale advantages (assets worth $30 billion), well-backed dividend, and diverse base of customers should continue to limit its long-term downside.

Despite weak operating conditions, Emera’s utilities delivered double-digit earnings growth in 2019. Looking ahead, management continues to expect solid earnings and cash flow growth over the long term.

“The underlying financial performance of our business was strong in 2019, with our utilities delivering 10% earnings growth year over year,” said CEO Scott Balfour. “In 2020, we look forward to the closing of the Emera Maine transaction, and redeploying capital from our asset sales into our businesses which are driving a rate base growth forecast of 7% through to 2022.”

Emera shares are up about 6% over the past month.

Fresh choice

Rounding out our list is food giant **George Weston** (TSX:WN), which has generated operating cash flow of $4.6 billion over the past year.

The stock has trended down slightly over the past few weeks, providing Fools with a decent value opportunity. Specifically, George Weston’s long-term investment case continues to be backed by a defensive business model, stable cash flows, and consistently growing dividends.

Earlier this week, the company posted EPS of $1.55 as revenue increased 10% to $12.3 billion. To be sure, management is withdrawing its 2020 outlook until there’s more clarity on its situation.

“Looking ahead, each of our businesses is set to deliver long-term value creation from a position of operational strength and with a solid financial foundation when we transition to a new post-pandemic reality,” said CEO Galen Weston.

Shares of George Weston are down about 7% over the past three months.

The bottom line

There you have it, Fools: three “cash cows” worth considering.

As always, they aren’t formal recommendations. Instead, see them as a starting point for further research. Even the most stable cash generators can suffer setbacks, so plenty of your own due diligence is still required.

Fool on.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GIB (CGI Group Inc.)
2. TSX:EMA (Emera Incorporated)
3. TSX:GIB.A (CGI)
4. TSX:WN (George Weston Limited)

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