



Canada's Safest Stock: Protect Yourself From the Next Market Crash

Description

There's plenty of uncertainty for investors at the moment. No one can confidently predict how long the pandemic will linger or how deep the economic recession will be. As a result, the stock market has been historically volatile. Some experts believe we could see [another market crash](#) before the year is over.

I can't say whether the market will crash again or continue surging. What I can say is that some sectors of the economy will remain relatively insulated from the economic cycle. Some goods and services are just so critical that consumers cannot avoid them, even in the depths of a recession.

Waste management is one such sector. Fortunately for Canadian investors, a market leader recently went public and is now available as a safe haven.

GFL stock

Ontario-based **GFL Environmental** ([TSX:GFL](#))([NYSE:GFL](#)) [listed itself just weeks before the market crashed](#). GFL was priced at \$19 on the first day of trading. It's now trading 8% higher at \$24.5. In other words, early investors were able to retain their capital during one of the worst market crashes in Canada's history.

There are two reasons I believe GFL stock will retain its value, even if the market crashes again. Firstly, the company's services are absolutely critical. Household waste isn't reduced when the economy sags. Regardless, GFL's services are contracted by cities and provinces on a fixed, long-term basis. These long-term contracts cement GFL's top line.

While the top line is secure, the bottom line isn't too bad either. The company expects to generate US\$400 (CA\$563) million in free cash flow this year. That means GFL stock is currently trading at a price-to-free cash flow ratio of 13.7. That's great value for a robust stock with growth potential.

GFL stock's growth potential is based on the opportunity for market consolidation. Basically, GFL can keep expanding operations by acquiring and integrating smaller waste haulers across the world. The company says it has \$1.3 billion on its books to power such acquisitions.

The strength of GFL's balance sheet is the second reason I believe its stock will sail through the next crash. In fact, with savvy acquisitions, the stock could add substantial value, even while the rest of the economy sags.

Bottom line

In times like these, you can never be too cautious. The ongoing pandemic is a once-in-a-generation crisis. No one knows what the economy will look like after it is resolved.

Considering the risk ahead, I believe pragmatic investors should do all they can to protect themselves. Deploying a portion of your portfolio to non-cyclical defensive businesses is usually a great idea.

There's probably no sector as defensive as waste management. Industry leader GFL Environmental is probably best positioned to survive and thrive during this crisis. The company's top line is secured by long-term contracts and robust demand. Meanwhile, the company has enough dry powder on its balance sheet to sustain operations and even expand.

That makes GFL stock the closest thing Canadian investors have to a reliable safe haven. Keep an eye on it.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:GFL (GFL Environmental)

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Author

vraisinghani

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