2 Canadian Stocks That Will Survive in the Coronavirus Economy

Description

The coronavirus pandemic has fundamentally altered the trajectory of the global economy for the foreseeable future. Government measures aimed at curbing the spread of the virus have devastated national economies across the world. Even vast stimulus in developed nations has done little to resuscitate growth, and there are fears of another stock market crash.

The shuttering of non-essential industries, restrictions on movement, social distancing regulations and travel bans have altered consumption, business activity and spending habits. While many businesses are suffering, and the pandemic will trigger a slew of bankruptcies, some companies are benefiting from the current harsh environment.

Here are two stocks which will thrive despite the impact of the coronavirus on the economy.

Leading quick-service restaurant chain

One stock that has surprisingly survived the coronavirus pandemic in good shape is **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). Even zero first quarter 2020 sales growth didn't prevent the quick-service restaurant owner from delivering some credible results.

Restaurant Brands' sales growth was flat, but EBITDA and net income fell by just 11% year over year, as many of the company's restaurants remained open despite the coronavirus pandemic and government closure of non-essential services.

An important driver of those earnings was its drive-through, curbside deliver and pick-up services.

Restaurant Brands moves to ramp up its online presence and delivery capabilities will continue to support its operations.

While the coronavirus is expected to trigger a deep recession, expected to be the worst since the Great Depression, Restaurant Brands' earnings will improve. This is because budget dining options such as quick-service restaurants experience a surge in popularity as consumers become more budget conscious.

Earnings growth will also be driven by a loosening of restrictions in many jurisdictions, which will allow in-house dining to recommence.

While waiting for Restaurant Brands' stock to rally, you will be rewarded by its dividend yielding a juicy 4%.

Growing online shopping platform

Amazon.com (NASDAQ:AMZN) has taken the retail industry by storm. The online shopping behemoth has become the world's second largest retailer in less than three decades. It along with a paradigm shift in consumer behaviour is challenging how the retail industry operates.

The acceptance of online shopping keeps growing at a rapid clip. The combination of convenience and lower prices has been particularly appealing for consumers. Even retail segments such as groceries and fresh foods, once considered immune to the internet retailing onslaught, are increasingly being purchased online.

The combination of the coronavirus pandemic, stay-at-home orders and closure of non-essential services such as shopping malls has caused online grocery sales to surge. Analysts estimate that in April 2020, U.S. online grocery sales alone surged by 37% month over month to US$5.3 billion.

The notable growth in internet retailing triggered by the coronavirus is here to stay, making online retailers and platforms compelling investments.

One which stands out is **Shopify** (TSX:SHOP)(NYSE:SHOP). The internet retailing platform reported an incredible first quarter 2020 47% year-over-year increase in revenue and 44% increase in adjusted gross profit. Despite the strong sales growth Shopify reported a $31 million net loss for the quarter, which was 30% greater than a year earlier.

In response to the pandemic, Shopify introduced a range of measures to support merchants and customers during a difficult time. These included an extended trial period for plans, increased funding commitment to Shopify Capital and local in-store curbside pick-up and delivery.

Shopify reported strong growth in the volume of food, beverages and tobacco sales volumes over its platform during March and April.

The ongoing shift to e-commerce, which has gained considerable momentum since the coronavirus pandemic, will serve as a powerful earnings driver for Shopify. Global e-commerce sales are expected to reach US$6.5 trillion by 2023, providing additional momentum to Shopify's sales growth.

The coronavirus pandemic has added additional impetus to the growth of internet retailing, which will act as a powerful tailwind for Shopify.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:QSR (Restaurant Brands International Inc.)
5. TSX:SHOP (Shopify Inc.)

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