



2 Recession-Proof Stocks to Own During Economic Weakness

Description

At the moment, safety should be the name of the game. There are a couple of different ways you can accomplish that. One is to hold cash. Unfortunately, cash suffers from a couple of government-induced problems — the first being that cash doesn't earn any interest. The second is that it is a decaying asset. After all, inflation is wasting away its value at an alarming rate.

I don't mean the official numbers stating that there is negative inflation. Those numbers are useless, especially given that the negative inflation comes from low fuel prices. The value of our dollars is declining daily as central banks continue to print money.

You can either buy an inflation-protected asset like gold or you can buy stocks. If you choose to buy stocks, you should certainly buy shares of companies whose products are in demand even in the midst of a recession.

Inflation-proof companies

There are a few things that we need to keep our lives healthy and safe — the most important item is food. Grocery stores have been making out fairly well in all the pandemic craziness. Owning shares of a company like **Loblaw Co. Inc.** ([TSX:L](#)) has probably worked out pretty well for you so far as people have gone crazy trying to stock up for the current emergency situation.

Another business that remains in high demand is that of garbage collection. Everyone needs to dispose of their waste in good times or bad. This is especially the case for those of you who need to throw out all that packaging from all the extra items you have been ordering with your online comfort shopping.

For this purpose, **Waste Connections Inc.** ([TSX:WCN](#))([NYSE:WCN](#)) provides [the perfect service](#) for you and yours.

The proof is in the numbers

The data proves that these companies are making out quite well in the midst of the crisis. Loblaw's revenue grew 11% year-over-year in the first quarter of 2020. Waste Connections also proved that it was a steady, recession-proof business with revenue increasing by 8.7% over the same time frame.

Loblaw's also generated over \$1 billion in free cash flow over the period, more than double what it generated the same quarter a year earlier. Waste Connections posted adjusted free cash flow of US\$234 million over that period as well. These companies were able to continue operations when others had to shut down.

Dividends

Another benefit of owning these companies is that their secure earnings lock in the dividends. You pay for that security, of course. These stocks are not cheap, with Loblaw's having a dividend of under 2% and Waste Connections yielding a paltry 0.81%.

At least these dividends have been growing. Loblaw's grew its dividend by 6.8% last year and Waste Connections increased its payout by 15.6% last year. Both companies also maintain a very low payout ratio, ensuring those dividends will stay in place.

The bottom line

If you want solid income and safety of principal, Loblaw's and Waste Connections are about [as stable as you can get](#). Your income will grow as will your capital gains, albeit slowly.

These are the kinds of stocks people interested in stable, long-term income generation should have in their portfolios during times of economic weakness.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:WCN (Waste Connections)
2. TSX:L (Loblaw Companies Limited)
3. TSX:WCN (Waste Connections)

PARTNER-FEEDS

1. Business Insider
2. Msn
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Date

2025/07/05

Date Created

2020/05/23

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