1 Recession-Proof Business Your Portfolio Needs

Description

The COVID-19 pandemic has taught us many things, and I'm not just referring to how to wear a face mask. The concept of diversifying your portfolio has never had a better real-life example.

Additionally, the near-constant mention of a long and harsh recession to get out of this pandemic remain top of mind.

So what exactly, if anything can investors do to offset some of that risk? Is there a truly diversified recession-proof business that can continue to provide growth?

Fill up your tank (and portfolio)

Gas stations and convenience stores are interesting, yet deceiving investment options. They are often dismissed as investment options because they are interim (and often unscheduled) stops for customers. That by no means implies that those businesses are not successful, however.

There's a certain untapped potential that lies in the gas and convenience store model and **Alimentation Couche-Tard** (TSX:ATD.B) knows it.

First, let's take a moment to mention that Couche-Tard is *big*. The company has nearly 10,000 locations in North America scattered across all provinces and 48 U.S. states.

Across the pond, Couche-Tard has approximately 2,700 locations in Europe, and through licensing agreements operates a further 2,400 locations in Africa, Asia, and the Caribbean. That global footprint grants Couche-Tard geographical diversity few other recession-proof businesses can match.

Couche-Tard's approach to expansion has been nothing short of brilliant. In short, the company has sought out and acquired an ever-increasing number of acquisition targets over the years.

Those acquisitions have exposed Couche-Tard to new markets and product opportunities, which the company can apply to its sprawling global network.

As the new acquisitions are integrated into Couche-Tard's network, they are rebranded. In turn, those rebranded locations provide synergies during earnings season that feeds Couche-Tard's superb growth.

Is Couche-Tard a recession-proof business?

The necessity of the services that Couche-Tard provides means that many of its businesses remained opened throughout the pandemic. This is a rare feat in the retail segment, and Couche- Tard has found ways to thrive and innovate. Couche-Tard continues to roll out delivery services across its North American network.

In terms of results, in the most recent quarter, Couche-Tard reported net earnings of $659.9 million, or $0.59 per diluted share. This reflects solid gains over the $612.1 million, or $0.54 per diluted share reported in the same period last year. Apart from that solid growth, the company is on solid financial footing.

Apart from the US$2.5 billion in revolving credit at its disposal, Couche-Tard has US$1.8 billion in cash. While that's not entirely the perfect recession-proof business, it should be on every investor's shortlist.

Income-seeking investors looking at Couche-Tard will not be particularly attracted by the paltry 0.65% yield on offer. If anything, the payout resembles more of a rounding error. Still, there is hope. Couche Tard has provided handsome annual upticks to its dividend over the years.

By example, over the past decade, Couche-Tard's dividend has provided an impressive CAGR of over 25%. Don't expect Couche-Tard to offer a 4% yield anytime soon (if ever), but what the company *does* offer is growing, illustrated by the 12% hike announced this year.

Final thoughts

There's no such thing as an investment that is without risk. As well, these are unprecedented times where the market looks more like a rollercoaster than anything else.

That's not to say there aren't good options to consider buying at the moment, however. Couche- Tard is a prime example of a recession-proof business that should be on the radar of every growth-seeking investor.

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