



2 Recession-Proof Stocks for Your Portfolio

Description

With the pandemic dragging out slowly, the markets can expect more volatility. Everyone agrees that the world is in a recession, but stock markets are zooming up. When everything is a mass of contradictions, one must turn to stocks that offer stability and growth that won't be shaken when the next salvo of news hits the markets.

These cannot be stocks that are one-week or even one-quarter wonders. They need to have long-term growth prospects, and a pandemic shouldn't make a difference to them. In fact, a pandemic and lockdown situation might even make their numbers better. If they do dip over a short period, you must be assured that they will get back up and continue to march forward.

A domestic retail giant

Alimentation Couche-Tard (TSX:ATD.B) is one of the largest retailers around with close to 14,500 convenience stores and gas stations in North America (9,414), Europe (2,710), and other regions of the world, including the Middle East and North Africa, Southeast Asia, and New Zealand (2,350).

Compared to the rest of the market, ATD shares have held firm as the pandemic raged on. The shares fell from \$45.6 at the start of February to \$32.6 in March. Shares recovered to \$40 in the first half of April and are now trading at \$43.29, just 5% below its 52-week high.

Alimentation Couche-Tard released its numbers for the fourth quarter and full year of fiscal 2020, and it blew everyone out of the water. Adjusted net earnings were \$521 million in the fiscal fourth quarter of 2020 compared with \$289 million for the fourth quarter of fiscal 2019.

Total merchandise and service revenues were \$3.2 billion, down 2.6%. Couche-Tard also has access to \$4.7 billion through available cash, and its revolving unsecured operating credit facility, underlining its strong financial position. The company has paid out \$0.26 per share in dividends in fiscal 2020 — an increase of 17.8% from 2019. The forward yield on current share prices is 0.65%.

ATD is a company that has grown massively in the last decade, going from \$8.92 on January 1, 2011,

to over \$43 today. With the massive access to cash at its disposal, the company can have its pick of smaller stores in the U.S. and add them to its Circle K banner. Expect this growth juggernaut to continue.

Canada's grocery giant is a top pick right now

Loblaw ([TSX:L](#)) is Canada's leading grocer and deals in a very recession-resistant business: grocery and pharmacy. Recession or no, people have to eat and have to take medication. The company is very conservative and was one of the first ones to cut its dividends to conserve cash, [even as its revenues](#) grew 10.7% [for the first quarter](#).

It looks as though social-distancing norms are here to stay for the rest of the year, and as people prefer to err on the side of caution when sick, both businesses should do very well this year. The stock trades at \$67.5 right now, down from its April high of \$75 when it was seen as a safe haven in the market turmoil.

Both stocks will continue to do well irrespective of a pandemic or recession. Both should be part of smart investors' portfolios.

CATEGORY

1. Coronavirus
2. Investing

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1. TSX:ATD (Alimentation Couche-Tard Inc.)

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