Defensive Stocks: 1 Retail Stock You NEED to Buy

Description

It seems strange to consider retail stocks as a defensive play in today's volatile market. Brick and mortar stores have been closed up by the pandemic, making every retail store suffer. Yet there are some that continued on, even making huge strides during today's market downturn.

Take **Lululemon Athletica Inc.** (NASDAQ:LULU) for example. While the rest of the fashion industry suffered, Lululemon has soared. There really isn't anything to compare it to. The company took advantage of its strong online presence to bring in even more customers.

While the company sunk with the rest of the markets back in March, it has since come roaring back. As of writing, shares trade at US$305, an increase of almost 140%!

The company is likely to see even more strength after its recent acquisition of MIRROR for US$500 million. The company brings with it digital workout displays that Lululemon can sell through its website. It means Lululemon now has the ability to bring in subscription revenue, a highly attractive revenue stream.

While this is all great if you're looking to invest in Lululemon, the share price might be too high at the moment. Instead, there is another retail stock out there that could provide a perfect defensive play for your portfolio.

New Look Vision

New Look Vision Group Inc. (TSX:BCI) performed similarly to the markets for months — until recently, that is. The stock made a sudden jump at the end of June. After falling 43% after the market crash, the company is now almost at pre-crash prices.

The company owns a number of vision care stores, including New Look Eyewear and Vogue Optical. It's therefore set up to continue making great sales, similar to Lululemon, even in this economy. If you need glasses, you need glasses.

There’s no way around that. Luckily, it’s one of the things you usually can purchase even during a downturn, if you have insurance. Finally, if you know your prescription, you can simply purchase a new pair online.

This company offers your portfolio one thing: predictability. That’s in short supply during this pandemic. Just look at the company’s first-quarter earnings results. New Look saw revenue climb to $298 million for 2019, with comparable store sales growth that’s been steady for 22 consecutive quarters.

Revenue decreased by 4.8% for the first quarter, but its recent acquisition of Edward Beiner Group, additional acquisitions, and businesses reopening should bring in much more revenue the second quarter.

The last quarter had analysts updating estimates for this company. The quarter beat analyst expectations, and analysts now expect revenue to reach $249.2 million in 2020. While this would equate to a 15% reduction from the last year, analysts are still bullish on the stock’s performance over the next several years.

Meanwhile, shares in New Look have almost reached pre-crash prices, as mentioned. So now could be the perfect opportunity to buy up this stock before the company announces second quarter results.

Bottom line

If you have the funds available, I would definitely consider buying a small stake in New Look right now. The company’s predictability makes this the perfect defensive stock. Because it’s in the retail industry, many investors haven’t given it the attention it deserves.

Within the next few months, you could see shares reach pre-crash prices, and then move well beyond as life returns to normal after the pandemic.

CATEGORY

1. Investing

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1. NASDAQ:LULU (Lululemon Athletica Inc.)

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