



Worried About Stock Market Volatility? Trust These Recession-Resistant TSX Stocks

Description

So far this year, the broader equity markets have been on a roller-coaster ride. In March, the **S&P/TSX Composite Index** had declined by over 35% from its pre-pandemic high. However, it recouped the majority of its losses to trade just 3.2% lower for this year. The recovery rally was boosted mainly by the stimulus packages and optimism over the reopening of the economy.

However, the high unemployment rate and the inability to check the spread of COVID-19 could be a headwind for the markets going forward. So, I expect the markets to be highly volatile in the remaining part of this year. Meanwhile, you can protect your portfolio by investing in these two **TSX** stocks, which are recession-proof and have stable cash flows.

Waste Connections

My first pick is **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)), an integrated waste management company, which collects, transfers, and recycles solid wastes. It has returned over 12% for this year, easily outperforming the broader equity markets. The company has been able to deliver impressive financials irrespective of the economic situation.

In its recently announced second-quarter earnings, the company outperformed both analysts' top- and bottom-line expectations. Meanwhile, year-over-year, its [revenue declined by 4.7%](#), primarily due to a decline in E&P (exploration and production) activities.

However, the reopening of economies has led to a significant improvement in the company's volumes. Its solid waste volumes increased by over 300% on a sequential basis in July compared to its second quarter.

Waste Connections focuses on both organic and inorganic growth to drive its sales. Year-to-date, it has completed acquisitions, which could contribute approximately US\$60 million in revenue per annum. Also, it has signed an agreement to acquire another collection and recycling company, which

could provide US\$40 million in revenue annually. So, the company's outlook looks robust.

With its cash and cash equivalents at US\$790.6 million at the end of its second quarter, the company's liquidity position looks healthy. Meanwhile, its dividend yield is on the lower side at 0.6%. But, the company's management expects to raise its dividends in October by a double-digit percentage.

Currently, the company's valuation looks expensive, with its forward price-to-earnings standing at 34. However, given its recession-proof business model, strong growth prospects, and a stable liquidity position, I am bullish on Waste Connections.

TransAlta Renewables

My second pick is **TransAlta Renewables** ([TSX:RNW](#)), an electric utility company that generates and transmits electricity, primarily from renewable resources. Currently, it owns 13 hydro facilities, 19 wind farms, and one natural gas plant. Along with these facilities, the company also has economic interests in other diverse assets. Together, these assets generate 2,527 MW of electricity.

The company sells the power produced from these assets through long-term PPA (power purchase agreements). So, the company's revenue stream is mostly stable. In its recently completed quarter, the company's EBITDA increased by 3.6% to \$115 million. Also, its adjusted funds from operations increased by \$10 million to \$90 million.

Although many companies have withdrawn their guidance amid the uncertainty, TransAlta Renewables has reiterated its guidance for this fiscal. The management expects its adjusted EBITDA for this fiscal to come in the range of \$445 million-\$475 million compared to \$438 million in 2019.

Further, the weighted average remaining contractual life of its PPAs is 11 years. It is an early mover in the renewable energy space. It could reap benefits in the long term as the world is moving away from non-renewable resources and towards renewable resources.

The company also pays monthly dividends of \$0.078 per share, which translates to an annualized payout rate of \$0.94 per share. Its dividend yield stands at an attractive 6%.

So, given its long-term growth prospects and attractive dividend yield, I believe [investors should buy this stock for higher returns](#).

CATEGORY

1. Energy Stocks

TICKERS GLOBAL

1. NYSE:WCN (Waste Connections)
2. TSX:RNW (TransAlta Renewables)
3. TSX:WCN (Waste Connections)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Energy Stocks

Date

2025/08/23

Date Created

2020/08/17

Author

rmanjapla

default watermark

default watermark