



2 Stocks to Buy Ahead of the Next Canadian Market Crash

Description

The Canadian market crash of February and March was just as vicious as the one [suffered](#) by the U.S. indices despite not having not participated to the full extent of the rally leading up to those February peaks.

Over the past few months, the markets have been on the mend, and again, the **TSX Index** has seen its relief rally run out of steam far quicker than the indices south of the border. For Canadian investors, the perennial underperformance of the TSX Index is [frustrating](#).

The tech-light, energy-heavy index is stuck in limbo and looks poised to continue suffering from a bad case of indigestion even though it had not enjoyed the same feast of a market rally that its U.S. peers have.

The TSX Index and Canadian index funds are a terrible investment on their own. They don't provide sector-wide diversification, nor are they great long-term holds for those looking to build their wealth over time. That's not to say you should avoid the TSX if you're a stock picker, though. There are fantastic bargains buried beneath the rubble. Just ask Warren Buffett, who's been loading up on a handful of Canadian stocks over the past year.

This piece will take a closer look at two undervalued Canadian stocks that are likely to hold their own come the next COVID-induced Canadian market crash. Without further ado, consider **North West Company** ([TSX:NWC](#)) and **Alimentation Couche-Tard** (TSX:ATD.B), two rare Canadian consumer staple stocks that can help buoy your portfolio as the market waters get that much rougher over the coming weeks and months.

North West Company

North West is an underrated discount retail and grocery play that's been stuck in limbo for years before the stock broke out amid the pandemic. The company owns and operates stores primarily in rural communities in Northern and Western Canada (hence the name *North West*), Alaska, and various remote, lesser-served communities in Hawaii and the Caribbean.

The company sports a robust operating cash flow stream that's held up remarkably well amid this pandemic and is in a spot to continue flexing its muscles for the duration of this coronavirus recession. The perfect mix of discount retail and low-cost grocery stores (both are viewed as essential) are the ideal hideout for investors looking to brace themselves for a potential worsening of this crisis.

Shares of North West are also ridiculously cheap, even after the stock's well-deserved recent run-up. At the time of writing, NWC stock trades at an absurd 0.75 times sales, 8.1 times EV/EBITDA, and 3.7 times book value. Sure, North West is a low-growth stalwart, but given the risk of another Canadian market crash, I'm perplexed as to why the stock isn't trading at a premium to its historical average multiples.

Alimentation Couche-Tard

Sticking with the consumer staple theme, we have Couche-Tard, which like North West, is poised to do well over the next year, as this pandemic continues dragging on. Unlike North West, Couche-Tard is a growth play that's perfected the M&A model.

Now, I'm normally not a fan of growth-by-acquisition models, as acquisitions tend to come at hefty premiums that stand to destroy value rather than creating it. What separates Couche-Tard from all the other M&A titans who mostly want to appease to near-term-focused investors is the brilliant value-focused management team led by CEO Brian Hannasch.

Couche has been quiet in terms of deals lately despite having a massive liquidity position and the financial flexibility to pull the trigger on an elephant amid this crisis. Having walked away from its pursuit of Caltex Australia, Couche finds itself in a position of tremendous financial power, as it looks to go on the hunt for a deal that could unlock tremendous long-term value for patient investors.

The company may have missed out on a Speedway deal to its convenience store peer 7-Eleven. Still, Couche's management doesn't seem to think so. The hefty price (US\$21 billion) that 7-Eleven paid is not only excessive but could stand to actually destroy shareholder value.

Bidding wars for takeover deals are often a bad idea, and Couche isn't interested in running the risk of overpaying for assets that don't provide a high chance of substantial synergies relative to the price paid.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Investing
3. Stocks for Beginners

Date

2025/08/03

Date Created

2020/09/23

Author

joefrenette

default watermark

default watermark