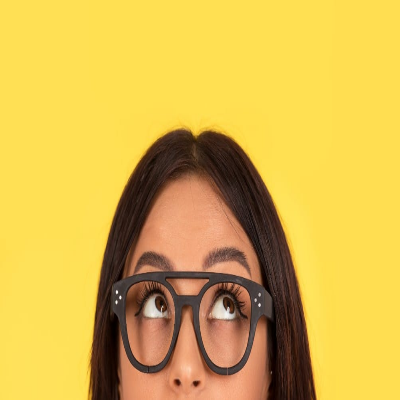

3 Recession-Resistant Stocks to Buy Right Now

Description

A recession could be imminent in Canada. Fortunately, there are several great stocks that can help Canadian investors ride out the storm. In any economic environment, you will need to be patient and invest with a long-time horizon. However, here are three recession-resistant stocks that could prosper both during and after a recession.

A discount retailer outperforming the market

People tend to turn to value-priced essentials when times get tight. That is why Montreal-based **Dollarama** (TSX:DOL) could prosper over the next few years. It has hundreds of convenient locations and affordable brand-name merchandise for any demographic. I don't know about you, but every time I walk into a Dollarama, I end up leaving with way more than I initially planned.

Certainly, this dynamic was evident in its second-quarter results released in early September. Sales rose 18% to over $1.2 billion and net earnings per share increased 37.5% to $0.66.

With the stock up 37% this year, I wouldn't call it a cheap stock at 26 times earnings. However, the company raised its fiscal 2023 sales outlook to 6.5% to 7.5% and affirmed plans to open 60 to 70 new stores.

Dollarama has a great track record of delivering +22% compounded annual returns. Investors may have to pay up, but they get to own a recession-resistant compounding stock.

An infrastructure stock with growth

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) is another stock I wouldn't hesitate owning through a recession. Firstly, its diverse mix of power utilities, railroads, gas infrastructure, data centres, ports, and cell towers provide very defensive, inflation-hedged cash flows.

Secondly, its mixed portfolio of infrastructure assets is growing faster than most utility stocks. Several analysts believe it could grow organically by 10% this year. Its acquisitions of Uniti (a telecom provider in Australia), HomeServe (a global mechanical repair and maintenance provider), and German cell tower portfolio should all provide accretive cash flow growth in the coming years.

Thirdly, in a recession, BIP can utilize its strong balance sheet to acquire value-priced assets. This could help elevate rates of return going forward.

Lastly, this stock pays a well-covered 3.5% dividend yield right now. It has a history of growing that dividend by 6-9% a year, and this is very likely to continue for many years.

This tech stock could benefit from a recession

Constellation Software (TSX:CSU) is great stock pick any time. However, it is particularly attractive during a recession. Firstly, its stock is down nearly 19% this year. With a price-to-earnings (P/E) ratio of 24 times, CSU stock is not "cheap" in the traditional sense. However, that is significantly down from 32 times earnings from a year ago. It is also discounted to its five-year P/E mean of 28 times.

Secondly, Constellation operates hundreds of niche vertical market software businesses. Generally, these provide essential services to their customers. This explains why over 70% of its revenues are recurring in nature. Last quarter, revenues grew 30% to over $1.6 billion, and net earnings increased 43% to $126 million.

Lastly, Constellation has a very healthy balance sheet full of cash and liquidity to deploy into more acquisitions. Software business valuations have declined since the start of the year and Constellation should be able to add some great bargains during a recession. Last year, it deployed a record $1.5 billion into new acquisitions, and this year could be just as significant.

The Foolish takeaway

The best businesses are often the most recession resilient. Look for stocks in great businesses and own them for the long run. Be patient, and you have great chances of beating the recession and earning a great long-term return.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:DOL (Dollarama Inc.)

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