



1 Underrated and Undervalued Stock to Buy in an Unstable Economy

Description

The economy looks to be showing its weak spots, with consumers tightening their wallets, causing various discretionary firms to post some pretty weak sales quarter over quarter and year over year. Undoubtedly, defensives have shined, and the rush to recession-resilient firms is unmistakable. Despite the strong jobs number, everyone is worried about inflation and the impact that higher rates will have on economic growth moving forward.

Indeed, investors are treading cautiously into year's end. With the growth trade now bust, I think it's time for investors to pay careful attention to the underrated and [undervalued](#) stocks that have been doing well in spite of economic conditions. It's these firms that are demonstrating market power and could have the means to make strides over rivals in a year that's sure to pressure many firms in the balance sheet!

It's hard to find a truly good company that can grow and thrive in harsh weather conditions. Such all-weather stocks are worth their weight in gold. And heavy weightings in such names could be key to doing well over time with the odd recession thrown into the equation.

In this piece, we'll give **Pet Valu Holdings** ([TSX:PET](#)) a glance following its latest (and perhaps greatest) quarterly earnings result.

Pet Valu Holdings: Poised to thrive with or without a recession

It's companies like Pet Valu — ones that can keep raising the bar on their earnings amid rising economic [pressures](#) — that investors should be looking to buy and hold through a hurricane of market volatility. The company is a relative newcomer on the TSX Index. It's in the boring business of pet food, pet supplies, and other services (think grooming and washing). The stock has been on a tear over the past year, outpacing the rest of this market, thanks in part to incredible earnings results. The stock is up around 15% year to date.

I think Pet Valu can continue surging higher in a recession year. The humanization-of-pets trend seems to be more recession resilient than I would have thought. Indeed, pets are family. And family

members deserve the best, even when the budget gets tighter. When it comes time to cut personal costs, it's easy to do away with subscriptions, but pet food, grooming products, and other supplies? Not so much. They're essentially necessities, perhaps to the magnitude of everyday grocery and hygiene items.

Pet Valu isn't just benefiting from a recession-resilient secular trend. It's very well-managed, with a compelling long-term growth runway (room for expansion) and a fair multiple (27.5 times trailing price to earnings).

Recent developments encouraging for PET stock

In the third quarter, same-store sales actually rose 15%. That's remarkable, given the demand destruction we've witnessed across other retailers. With a partnership with the Vancouver Canucks hockey team in place, look for Pet Valu to continue building upon its dominance in the Canadian pet market.

"Our fans love our teams and their pets. We are thrilled to bring this collaboration to life and see Pet Valu create memorable moments for our fans and their pets." said Terry Kalna, chief revenue officer of the organization behind the Canucks.

I think the relationship could take brand affinity to the next level.

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