Got an Extra $2,000? 3 Stocks to Consider for Work From Home

Description

With no end in sight to work-from-home policies for many companies, investors may be trying to make sense of where to invest $2,000. Shares in many technology companies have soared since March on the back of the work-from-home trend. However, several non-technology companies also stand to significantly benefit due to work-from-home policies being extended into 2021.

Changing consumption and recreation trends will drive this stock higher

Canopy Growth (TSX:WEED)(NYSE:CGC) should benefit from the changed food and beverage consumption trends that have emerged since March. Sales of cannabis soared in March as stay-at-home orders went into effect across Canada. Furthermore, while dried flower sales remained steady, sales of higher-margin Cannabis 2.0 products, such as edibles and extracts, saw a significant increase in demand in March. These sales trends remained intact through May.

Canopy is heavily invested in cannabis-infused beverages. Sales of cannabis-infused beverages are not broken out by Statistics Canada in the monthly cannabis market stats. However, cannabis-infused beverages would fall within the edibles or extracts categories, both of which saw sharp increases in demand in March.

Additionally, Canopy recently reported that the company shipped 1.2 million cannabis-infused beverages since March. Both of these figures indicate that cannabis-infused beverages are likely gaining in popularity.

As work-from-home policies continue, there may not be as many workers getting together for drinks at the bar after work. Some of these individuals may switch to cannabis-infused beverages. Cannabis-infused beverages are currently only sold in retail and e-commerce channels, and not via traditional restaurants.

Therefore, Canopy should benefit as the company's products get increasing visibility and exposure as people stay home and away from bars and restaurants.

It is unclear whether banks will significantly benefit from continued work-from-home policies

Major Canadian banks, including **Royal Bank of Canada** (TSX:RY)(NYSE:RY) (“RBC”), have already announced that most employees will continue to work from home until 2021. This move was not entirely unexpected. However, for the banks, it is unclear whether there will be any significant savings achieved through work-from-home initiatives.

RBC has over 1,000 branches in Canada. These are locations that RBC must still pay rent on, despite the fall in traffic. Additionally, RBC has corporate offices in Toronto and across the country. Similarly, RBC must still pay for the office space that it has contractually leased, even if the space is being underutilized. Ultimately, RBC has many fixed expenses that will not disappear just because employees are working from home.

Furthermore, the work-from-home trend does not necessarily boost RBC’s revenue or profits. There is no inherent increase in demand for loans as a result of people staying home. That said, RBC still earned over $1 billion in Q2 2020.

RBC should therefore continue to be profitable in 2020 and 2021 during the continuation of work-from-home policies. However, major banks, like RBC, are unlikely to enjoy any significant tailwind as a result of these policies continuing.

Connectivity will continue to play a vital role

In July, **Telus** (TSX:T)(NYSE:TU) reported a 3.6% revenue increase for Q2 2020, compared to Q2 2019, although profit was down on higher expenses. This revenue stability is largely attributable to Telus’s lack of investments in professional sports assets.

Telus is the only member of the Big Three that doesn’t have significant investments in professional sports assets. Additionally, Telus owns Telus Health, a healthcare IT solutions business. The lack of sports assets, combined with the ownership of a healthcare IT business, is a major tailwind for Telus going into 2021.

Companies that are invested in sports assets will benefit if demand for sports content returns. However, of the sports that have returned, the format of the schedules has changed. It is unclear whether the new schedule formats will attract viewers in the same way that original and time-tested schedule formats did. Telus does not have to worry about this.

Telus is primarily a company that provides connectivity, which has been in incredibly high demand since March.

Takeaway

It is all but certain that a number of organizations will have employees work from home for much, if not all, of the next year.

As this trend continues, Canopy and Telus will likely benefit. RBC will remain profitable, but is unlikely to see any significant boost as a result of work-from-home policies being extended into 2021.

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4. TSX:RY (Royal Bank of Canada)
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