Defensive Stocks You Can Buy Before the Dividend Yields Hit 3%

Description

Dividend investors may not have these four companies in their portfolios since the yields are low — between 1% and 2%. But these yields are growing 10% annually, so these defensive stocks are worth a look.

Symbol	Company	EPS growth (%)	Dividend Yield (%)	Dividend Growth (%)
MRU	Metro, Inc.	10.80%	1.60%	13.43%
CTC.A	Canadian Tire Corporation Limited	9.60%	1.70%	11.78%
GIL	Gildan Activewear Inc.	13.30%	1.30%	18.46%
SAP	Saputo Inc.	11.70%	1.40%	9.27%

Source: TD web broker

Metro, Inc (TSX:MRU) is a food and grocer business with over 350 stores across Canada. The reported acquisition news created buzz for this company in October. Looking back further, Metro has not reported a revenue drop (annually) in 10 years. The strong revenue stream has translated to EPS that have increased at almost a straight line up. Growth in EPS is estimated at 11%. Despite this, the stock is down 10% since the summer, settling around $41 per share, just above a strong support level at $40. The stock is fairly valued now, with price-to-earnings ratio (P/E) of 16, in line with the five-year average of 15.

Canadian Tire Corporation Limited (TSX:CTC.A) is a household name with roughly 500 stores in Canada and 300 gas stations. EPS tend to increase $3.30 per share every year. The estimated EPS growth is just under 10%, but the dividend yield, currently 1.7%, is growing at 12% per year. Canadian Tire had a price pullback this summer, which was an excellent time to pick this stock up. The stock may be setting up for another buy point.

Gildan Activewear Inc. (TSX:GIL)(NYSE:GIL) is an $8 billion consumer apparel company and perhaps the riskiest stock on this list depending on how you view this competitive sector. It reminds me of American Apparel, which has suffered extensively with store closures abound. A review of Gildan's recent quarter by Fool contributor Joseph Solitro is quite thorough. There are a few extra points to be made. The current P/E is 17, which is fair value. The dividend yield of 1.3% has increased since inception by 18% annually. Future EPS growth is estimated at 13%. These are all strong signs that cash will flow in and the dividend will creep up.

Saputo Inc. (TSX:SAP) is a mid-cap company and one of the largest dairy businesses. This company has a history of stellar performance; the return on equity is typically in the high teens. History shows this is a growth company, but the dividend has never decreased. The 10-year dividend annual growth is 9.3%. If management keeps up with this dividend commitment, Saputo will have a 3% dividend yield in eight years. An investor can buy it now and watch the yield grow.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:GIL (Gildan Activewear Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:GIL (Gildan Activewear Inc.)
4. TSX:MRU (Metro Inc.)
5. TSX:SAP (Saputo Inc.)

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