



Comparing Canada's Two Best Defensive Companies

Description

With so many fantastic opportunities available, Canadian investors need to ensure that their portfolios remain properly balanced regarding such factors as sector, investment style, and market capitalization. When considering the opportunities with the most upside during the period right after a recession (versus approaching one), the truth of the matter is that cyclical stocks have performed fantastically well over the past decade.

As the Great Recession of 2008/2009 is now close to a decade in the past, investors need to be concerned as the economy has "never been better" for quite some time. As defensive stocks are less impacted by the vicissitudes of the tide, the combination of the economic cycle and interest rates increase has created some incredible opportunities for investors. As value stocks with high dividend yields have sold off, there has never been a better time to be a buyer in this market.

The first name to consider is none other than **North West Company Inc.** ([TSX:NWC](#)), which at its current price of \$29.25 offers investors a dividend yield of almost 4.5%, which is as stable as can be. After completing a small acquisition in South America, the company is now in a position to enjoy better cost savings, as the integration of these new locations have become the [new norm](#).

In spite of a high probability of a recession in the next two years, investors need not worry about this investment, as the beta of the stock is no more than 0.1, leading it to be the name that investors "run to" in times of uncertainty.

The second name that investors need to consider is **Intertape Polymer Group** ([TSX:ITP](#)), which operates in the very exciting business of manufacturing tape. What makes this sector so exciting is that many Canadians will have to pick up and move should a recession hit the broader economy. Demand for this product stands to increase as things get worse for the average Canadian.

Within the company, things have been a little challenging, with the manufacturing facilities needing to be realigned and a number of one-time costs incurred. At a current price of \$18 per share, investors are finally getting a break on this fantastic name as the dividend yield is finally an attractive 4% – much higher than it has been in a long time.

The main difference between this tape company and North West Company (that operates regional grocery stores) is that there remains more upside for investors (of Intertape Polymer Group) should higher sales materialize for the company.

For investors who opt to put these names side by side, revenues, earnings, and dividend yield of a grocery store with a captive clientele will fluctuate a very small amount, thereby limiting the upside potential. During times of mobility however, companies that sell moving supplies and specialized adhesive solutions will have a substantial amount of bounce in earnings as business picks up.

In spite of having two fantastic low-risk opportunities to choose from, some investors will continue to favour investing in only the least risky securities such as North West Company Inc. For those seeking greater upside, shares of Intertape Polymer Group may well do the [trick!](#)

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ITP (Intertape Polymer Group)
2. TSX:NWC (The North West Company Inc.)

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