



1 Defensive Industry and 1 Defensive Company Equals 2 Top Ideas

Description

If all the market volatility is making you nervous, consider the following two relatively [defensive stocks](#) in order to stabilize your mind and your portfolio.

With a one-year stock return of 90%, **Bausch Health Companies** ([TSX:BHC](#))([NYSE:BHC](#)) has truly come a long way since its days that many investors would like to forget, when it was formerly known as Valeant Pharmaceuticals.

This week's earnings release was another building block added to the tower of investor trust and confidence, as third quarter 2018 results were, once again, better than expected.

But while the [healthcare industry](#) is a defensive industry benefiting from stable, long-term growth, this stock continues to be a comeback story, with many hurdles still left to be faced — hurdles such as the company's oversized debt burden and legal issues.

The debt level remains extremely high at \$24.3 billion, but it is being worked down, and the company remains the subject of various legal investigations related to pricing and accounting, but these are being resolved.

If the planned new product launches in 2019 go as planned, and the debt continues to be worked down, this will serve to reduce the risk inherent in this stock, and it will increase investor confidence in the upside potential once again.

With a 2.71% dividend yield, **Intact Financial** ([TSX:IFC](#)) offers investors stable income as well as significant potential capital appreciation.

Intact Financial is the largest provider of property and casualty (P&C) insurance in Canada with a market share of almost 20%.

The Canadian P&C industry is a mature market, and, accordingly, Intact has grown mostly through acquisitions to the leading position it has today, with approximately \$10 billion in direct premiums written and a \$15 billion investment portfolio.

With a successful acquisition history, which has given the company scale and size to drive down costs and bring up returns, Intact recently ventured into the U.S. with the acquisition of U.S. specialty insurer OneBeacon Insurance Group Ltd. for \$2.3 billion. The acquisition is expected to generate top- and bottom-line growth opportunities from broader geographic and business mix diversification.

Intact offers investors a defensive, reliable, high-quality name that has a proven history of value creation.

Looking to the future, investors have much to be excited about.

Intact plans to continue to leverage its strong balance sheet to continue to be a consolidator in the P&C insurance industry. The company continues to target acquisitions of \$500 million or more in direct premiums written, with an acquisition target internal rate of return of 15%

Its balance sheet remains strong with a debt-to-cap ratio of under 23%.

Management expects that 15-20% market share will change hands in the next five years. And given that barriers to entry are high in this business, this leaves Intact well positioned to continue to be the consolidator in Canada and the U.S.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. TSX:BHC (Bausch Health Companies Inc.)
3. TSX:IFC (Intact Financial Corporation)

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