Prepare for a Financial Crisis With These 3 Defensive Stocks

Description

As markets continue their slide, the geopolitical environment remains tense, and interest rates and debt burdens keep rising, investors can find joy and comfort by preparing for the financial crisis that is rearing its ugly head.

With this in mind, consider the following three stocks.

Metro (TSX:MRU)

Metro stock has rallied 20% from October lows, as the market has shifted toward more defensive, value stocks.

This makes sense, as Metro's business is an economically insensitive one, as the company has continued to post strong results, and as dividend increases have been typical of the company.

To illustrate my case, 2018 EPS was $0.63 versus $0.51 in the same period last year for an increase of 23.5%, and the annual dividend was increased by 16% in 2017 to $0.65 per share and by 10.8% earlier this year to the current $0.72 per share.

With an $11 billion market capitalization and a 1.53% dividend yield, Metro has been and will likely remain a story of consistency, stability, and shareholder wealth creation.

CCL Industries (TSX:CCL.B)

This $10 billion label and packaging company has grown consistently and profitably over the last 10 years, creating shareholder wealth through both capital appreciation and dividend payments.

In fact, the company has grown from revenue of $1.2 billion in 2009 to revenue of $4.8 billion in 2017 for a compound annual growth rate of 18.8%.

And the corresponding increase in free cash flow has been even more impressive. In 2009, the company generated $52.3 million in free cash flow and in 2017, it generated $329 million for a compound annual growth rate 30%.

While CCL stock is down almost 8% year to date and down almost 20% from its highs of this summer, in my view, this gives us a perfect opportunity to add the stock to our portfolios.

With a product assortment that is not particularly economically sensitive, a global manufacturing network, and a strong balance sheet, CCL is well positioned to continue to drive shareholder value.

Nutrien (TSX:NTR)(NYSE:NTR)

Formed through the January 2018 merger of Potash Corp. and Agrium, Nutrien is a global giant that is churning out massive amounts of cash flow, ramping up cost savings related to the merger, and just benefiting from its diverse, vertically integrated agricultural business.

In turn, shareholders have been and can be expected to continue to benefit from this, in the form of increasing dividend payments and share price appreciation.

The company's latest quarter, the third quarter of 2018, saw earnings come in above expectations, a 7.5% dividend raise, and an increase in guidance as synergies are coming in faster and higher than expected.

The stock is down 8% year to date, but as the company continues to outperform, the stock will follow suit.

Investors have an attractive entry point into the shares of Nutrien at this time as it is trading at attractive valuations, offers a dividend yield of 3.63%, and offers an increasing EBITDA and cash flow profile.

Final thoughts

There is always somewhere in the market where investors can invest successfully. At a time when a financial crisis seems to be looming, defensive stocks are a good bet.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CCL.B (CCL Industries)
3. TSX:MRU (Metro Inc.)
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