This Consumer Defensive Stock Is a Top Pick for 2019

Description

It was a rough year for the markets. The **TSX Composite Index** lost 12% of its value and it was one of the most volatile years in history. If you're worried about continued volatility, then you're best to invest in consumer defensive stocks.

These are stocks that tend to have lower volatility and outperform in bear markets. In 2018, the **TSX Capped Consumer Staples Index** outperformed the TSX with a 2% gain.

One of the best valued in the sector is **Premium Brands Holdings** (TSX:PBH.TO). Not only does the company provide great value, it also has impressive growth rates and a growing dividend. This makes it a top consumer defensive stock and a top pick for 2019 and beyond.

A top growth stock

Consumer defensive stocks aren't known as high-growth stocks. Premium Brands however, is just that. Over the past five years, the company has grown earnings per share by a compound annual growth rate of 61%! Revenue has grown on average by 21% over the same period.

Premium Brands has a growth through acquisition strategy. It has been making acquisitions at a torrid pace with no less than two acquisitions per year since 2016. It fits the definition of a serial acquirer. The industry is flush with takeover opportunities. As such, there is no reason to expect them to slow down.

Analysts expect the company to grow earnings by 26% on revenue growth of 21% in 2019.

A top value stock

Premium Brands is currently trading at 16.36 times forward 12-month earnings. For a stock with expected growth rates above 25%, this is a bargain. Likewise, the company is trading below its average historical price-to-earnings (P/E) ratio for the first time since 2015.

The company is also trading at a P/E to growth (PEG) ratio of 0.90. Peter Lynch, one of the fathers of value investing, believed that a PEG under one signified undervaluation. Why? Because it's a sign that the company's share price is not keeping up with expected growth rates.

A top dividend stock

Income investors will also be wise to take a look at Premium Brands. It has a respectable yield at 2.59% and is a Canadian Dividend Aristocrat. Aristocrat's are companies who have grown their dividend for at least five-consecutive years.

Premium Brands has a six-year streak and its dividend growth rate has been on the rise. Its last raise of 13.25% was above its five-year historical average of 7.4%. It has a respectable payout ratio of 62% and given expected growth rates, investors can expect continued double-digit dividend growth.

Foolish takeaway

Premium Brands Holdings is a rare triple-threat. It offers something for income, growth, and value investors. As such, it's a top sector pick for 2019 and beyond.

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