Super Defensive Consumer Staple Stocks That Pay Dividends

Description

Food and drink stocks are among recession investors' favourite consumer staples, and represent some of the best defensive investments outside of utilities and housing. The following two stocks, representing the best in Canadian dairy and fruit juice production, should be just right for investors looking to get their portfolios ready for a potentially volatile second half of 2019.

Saputo (TSX:SAP)

The top dairy stock on the **TSX** index is down 2.05% in the last five days as investors react to fear in the markets. Crude is down, oil stocks are crashing, and international trade sentiment is on the ropes, so it's little wonder. However, this is a solid stock in the food and beverage space, with an estimated earnings growth rate by the end of 2020 of 23.49% paying a tasty morsel of dividend yield at 1.45%.

Acquisition-hungry and enjoying a very solid foothold in the Canadian dairy sector, an average analyst rating puts this stock as a moderate buy. Indeed, a smattering of insider buying of Saputo shares in the last few months suggests that confidence is high among the company's inner circle that the share price will rise. Meanwhile, though its past-year earnings growth has been negative, a 9.5% five-year average growth rate displays Saputo's generally positive track record.

The data makes for interesting reading, as always: Saputo has brought its debt down over the last few years, and is well covered by operating cash flow, making for a healthy balance sheet. In terms of a track record, 4.4% returns over the past 12 months could have been higher, though still managed to beat the Canadian food industry, which averaged a few points negative for the year.

Lassonde Industries (TSX:LAS.A)

Down 2.45% in the last five days, the big fruit and vegetable juice producer is suffering alongside Saputo at the moment. You know things are bad when a stock with a low 36-month beta of 0.37 wobbles that much on market movements. However, Lassonde Industries stockholders should stay invested and tough it out; after all, this is a defensive stock, and a healthy one at that, with a debt-toequity ratio of 0.45 indicating a fairly solid balance sheet.

Selling at twice the book value, Lassonde Industries stock may be just beyond the remit of a strict value investor. However, a bit of growth is on the way, with a general 4.6% rise in earnings over the next few years; more specifically, while the current quarter might be challenging, the fiscal year should come to a close up 7.58%.

Value investors will likewise have to weigh Saputo's overvaluation (see a P/E of 23.2 times earnings and P/B of 3.2 times book) with its growth outlook, with a 13.5% expected annual growth in earnings on the way over the next one to three years for the dairy producer.

The bottom line

Consumer defensive stocks don't come much stronger than the two TSX index tickers listed above. While an average analyst rating puts Lassonde Industries as a hold, capital gains investors may want to use the chance of positive earnings reports to cream some upside, and the general income investor should think about that 1.6% yield.

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