These Recession-Proof Dividend Studs Just Hit 52-Week Highs

Description

Investors seem to be getting their portfolios ready for a challenging second half of 2019, sending several highly defensive stocks rocketing to their 52-week highs. The two stocks below are excellent choices for adding some backbone to a passive-income portfolio, even at the higher end of their valuations. In fact, traders looking to cream some upside from rocketing stocks could find these two have still farther to go in their race to the top.

Park Lawn (TSX:PLC)

Stocks don't come much more able to weather a recession than this funerary and memorial services provider. A true dividend star of the TSX index, Park Lawn has returned 130.8% in the three years, easily beating the Canadian consumer industry's 103.7%. Indeed, up 4.01% in the last five days, performance is not an issue for this ticker and likely won't be any time soon.

There are two key metrics to look at here for long-term investors: a nicely insulated 36-month beta of 0.64, and a debt-to-equity ratio of 0.24. Together, these paint a picture of a healthy, low-volatility investment. While a trailing 12-month P/E of 77.9 times earnings describes overvaluation, a P/B of 1.7 times book suggests that the price is still right in terms of actual assets, and further suggests that the share price has farther to climb.

An average analyst rating puts this stock as a strong buy, and it's hard not to agree: a dividend yield of 1.58% makes this a strong choice for a dividend portfolio, TFSA, or RRSP, while an estimated earnings-growth rate by the end of this fiscal year of 31.7% follows on from a strong 12 months, during which Park Lawn pulled in a growth rate of 83.2%. Additionally, a 33% discount against its fair value means that upside hunters could potentially buy this solid stock high and sell it even higher.

Fortis (TSX:FTS)(NYSE:FTS)

Pulling down returns of 20.9% over the past year, Fortis fans have no trouble pointing out why this is still one of the best recommendations for defensive growth. Data-focused stockholders will also no doubt be aware that with a beta of 0.07 relative to the TSX index, Fortis is one of the lowest-volatility stocks available for a reduced-risk, long-range dividend investment.

On the face of it, Fortis is good value for money, with a price-to-earnings of 19.9 and a sober P/B of 1.5 times book; however, the data-focused stockholder might point to a chunky PEG of 4.4 times growth and a share price that is currently more than five times its fair value as per future cash flows. The biggest reasons to buy Fortis, even at its highest price in a year, is that handsome dividend yield of 3.54% and an estimated 4.5% average annual growth in earnings over the next one to three years.

Gently rising debt is a small issue here along with those indications of possibly less-than-good value for money. Still, this is Fortis we're talking about — one of the most defensive dividend studs on the TSX index, and, of course, no stock is 100% perfect.

The bottom line

Park Lawn is one of the truly recession-proof tickers on the TSX index — and now it's even healthier than before: the corporation has managed to bring down its level of debt compared to net worth over the past five years from 69.1% to a low-risk 25.2%. Analysts are giving an average buy rating for Fortis at the moment, meanwhile, which would bring instant stability to a stock portfolio light on utilities.

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2. TSX:FTS (Fortis Inc.)
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