Top 2 TSX Consumer Defensive Stocks of the 2010s Decade

Description

The inclusion of two consumer defensive stocks on the Top Ten **TSX** stocks of the decade did not come as a surprise. Because the demand for the companies' products is unchanging, investors regard such stocks as generally defensive. Cash flow streams are steady, and therefore, earnings are predictable.

Alimentation Couche-Tard (TSX:ATD.B) and **Dollarama** (TSX:DOL) deserve praise for turning in stellar performances during the last decade.

Although both don't pay the highest dividends, the stocks tend to outperform consumer cyclical or non-defensive stocks in times of a weak economy. The underperformance or downside comes when the economy is strong.

Consolidator king

Couche-Tard is now acknowledged as the second-largest convenience store operator on Earth. This achievement was due mainly to its consolidation activities. There were countless deals over the past 10 years, which contributed to the company's organic and inorganic growth.

Growth by acquisition was the business strategy of former CEO and founder Alain Bouchard. His successor Brian Hannasch did not change the plan but rather sharpened Couche-Tard's takeover integration skills. However, its recent offer to acquire Caltex Australia was rejected.

In the last decade, the number of convenience stores grew from 6,000 to 16,000 (+167%). About 70% of Couche-Tard's revenue comes from stores in the U.S., while the rest are from the branches in Canada and Europe. As well, embarking on a major rebranding and integrating the store network was a huge success.

For 10 years, a $10,000 investment in the stock returned 864.58%, including the reinvestment of dividends. Meanwhile, expect Couche-Tard to continue with its winning ways.

Discount stores from coast to coast

Loyal investors of Dollarama are equally delighted with the decade-long performance of this $14 billion discount retailer. The company is lucky to have the middle class as its customer base. Recession or no recession, these customers will continue patronizing this well-loved dollar store.

Dollarama is a recognized Canadian value retailer with over 1,000 corporate-owned and operated stores. Neil Rossy from the fourth generation retailer team heads the company today. The business situation is unique in the sense that it keeps growing the bottom line while maintaining low, fixed price points.

The company is well loved because it provides customers not only with compelling value, but also with a consistent shopping experience. You will find a broad assortment of general merchandise, consumables, and seasonal items inside Dollarama stores. All stores are conveniently located in metropolitan areas, mid-sized cities, and small towns.

The stock's total return for the decade is 1,157.69%. Had you $10,000 in Dollarama during the period, your money would be worth $125,767.15 (with dividends reinvested) in ten years.

Protect your portfolio

Consumer defensive stocks such as Couche-Tard and Dollarama are safety nets should the economy weaken or market volatility heightens. Both companies can maintain active operations, produce stable cash flows, and weather an economic downturn.

Only a significant catastrophe can disrupt the business model. While the dividends are quite low, it can serve as a cushion when the stock prices decline during a bear market. Follow the example of the smart fund managers: before the market gets hard, migrate toward consumer defensive stocks.

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1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

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