Buy This Cheap TSX Stock for Over 20% Growth and Defensive Dividends

Description

As uncertainties weigh on the markets, food stocks are becoming all the more appealing. When it comes to defensive investing, a mix of passive income, capital gains potential, and excellent value for money sweeten the deal.

Today we'll take a look at a classic consumer staples play that ticks all of these boxes while giving investors access to the growing trend in alternative protein.

A defensive stock at a deep discount

Maple Leaf Foods (TSX:MFI) mixes name brands familiar in Canadian households with plant protein and non-antibiotic raised meats. As such, it's a diversified play on sustainable proteins, making for a classic defensive pick for consumer staples exposure in a low-risk passive income portfolio. The stock got chewed up last year, opening up an appetizing value opportunity.

Maple Leaf Foods could be looking at 24% capital gains in five years, though total shareholder returns could be in the over 30% range. Its 2.35% dividend yield, extreme discount against future cash flow potential (more than 95%), and expected annual growth in income (around 24%) make for an exciting speculative play for a cheap, defensive food stock.

Bite into some meat-free upside

With alternative protein looking set to go mainstream in the near future, stacking shares in relevant businesses could see a **TSX** stock portfolio pick up some considerable upside in the coming years.

Major fast food outlets are already garnishing their menus with meat-free choices, such as the addition of Impossible Whoppers to Burger King menus, and Denny's commitment to Beyond Burgers.

With a growing taste for alternative protein among the public and a burgeoning trend in ethical investing, a mainstream meatless menu could be a recipe for upside in the coming years.

While there have certainly been hiccups along the way, such as **Beyond Meat**'s midweek dip of 4.3% as investors digested the news that Tim Hortons was binning Beyond Burgers, long term this is a trend to watch.

Indeed, the Tim Hortons news may not matter much to Beyond Meat, which is nevertheless up 50% year on year and recently partnered up with Snoop Dogg.

The latest meat-free celebrity endorsement sees the Beyond D-O-Double-G breakfast sandwich hitting Dunkin stores. And going forward, the iconic Tim Hortons, owned by **Restaurant Brands International** , could return to plant-based proteins in the future.

Combining Beyond Meat with Restaurant Brands International and Maple Leaf Foods is a strong power-play for consumer staples that covers a broad range of strategies.

It's also a play for a potential recession, an economic possibility made stronger daily by a plethora of market stressors. From a potential credit bubble to the worrisome novel coronavirus outbreak, a downturn is not off the table.

The bottom line

Buying defensive dividend stocks is a strong play right now given the unusual amount of uncertainty rattling the markets. Adding alternative protein to a portfolio is also a smart move for a mix of the classic defence of a consumer staples stock with the high-growth of the green economy driven by ethical considerations, growing climate awareness, and long-term cost efficiencies.

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