2 Dividend Stocks That TFSA Investors Should Buy Now

Description

Warren Buffett is never in any rush to put **Berkshire Hathaway**'s massive cash hoard to work when the markets are expensive. He sees investing as a game with no called strikes – if there are no perfect pitches thrown his way, he just doesn't swing. He doesn't care what the fans (or the financial media) have to say about it.

At the time of writing, investors have had thrown some pretty tough curveballs their way. Given the many uncertainties in the cards for 2020, it's only prudent to follow in Buffett's footsteps by not swinging at the names being hyped by the bullish talking heads. It makes sense to do a bit of profit-taking with some of the more expensive names in our portfolios, in favour of some of the more attractively valued low-beta stocks that trade in the depths of the **TSX Index**.

The **S&P 500** is frothy and overdue for a correction or a bear market. When stocks have a very low correlation to the broader markets, there's much less risk of damage during a vicious sell-off. There's also the chance of profit should the impending collapse happen later rather than sooner. While low-beta stocks are a great way to mitigate risks in an expensive market, it only really works if you're able to buy shares at a good price because even the best-positioned stocks in the world can be a sell if the price isn't right.

Consider shares of **Alimentation Couche-Tard** (TSX:ATD.B) and **Empire Company** (TSX:EMP.A), two underrated Canadian consumer staple stocks that have negative betas of -0.06 and -0.08, respectively. The two names are more likely to zig when the markets zag, and can buoy one's TFSA when the market waters start getting rougher.

Couche-Tard

Couche-Tard is one of Canada's most underrated growth companies. The company has an exceptional management team that has perfected the growth-by-acquisition model. The company has money to put to work in another elephant-sized deal, and is realistically capable of meeting management's ambitious goal of doubling its net profit in five years.

It’s a challenge for a low-tech behemoth with a $50 billion market cap to double its profitability in five years. Still, it’s not impossible when you’ve got value-conscious managers who are looking to maximize potential synergies with every deal.

In Buffett’s latest letter to shareholders, he noted that large-scale corporate acquisitions were akin to marriage. While marriage is exciting at first, a rushed marriage can lead to disappointment since “reality tends to diverge from pre-nuptial expectations,” and “it is usually the buyer who encounters unpleasant surprises.”

In the case of Couche-Tard, the company with the urge to merge has a track record of plenty of successful marriages and a lack of widely publicized divorces. Couche can quickly grow its net income by the high double-digits over the next five years, and at 19 times next year’s expected earnings, the stock is nothing short of a steal in today’s confusing market.

Empire Company

Empire, the company behind Sobey’s, IGA, Farm Boy, and Safeway, had a massive fall from glory a few years ago thanks to a less-than-efficient operational structure. Since Michael Medline took the helm, Empire has recovered, with shares more than doubling after bottom in 2017.

The epic rally has since run out of steam, and the stock is currently sitting 14% below its all-time high reached late last year. The Canadian grocery giant is now one of the cheaper ways to play the defensive space with shares trading just shy of 14 times next year’s expected earnings and just 0.34 times sales. The 1.5% dividend yield may not be appealing to income investors, but for those seeking a way to play defence, I see Empire as Canada’s way to mirror Warren Buffett’s recent move into American grocer **Kroger**.

Empire is far from being a perfect play. Still, with $600 million to be invested across operations this year, I do see a scenario where the company can better-position itself when it comes time for the Canadian economy to recover some ground.

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