



## TSX Stocks: 2 Defensive Picks With Significant Value

### Description

Although **TSX** stocks have been rallying the last few weeks, much of the uncertainty remains. Not only is there uncertainty about the timeline of stay-at-home restrictions, but there's also considerable uncertainty about how the economy will perform when things return to a new normal.

Because of this, it's prudent for investors to consider adding some defensive names to the portfolio. This will be crucial for investors to strengthen the resiliency of their portfolios.

However, overdoing it and adding too much defense may be overly conservative and could be a significant drag on your performance if the economy rebounds sooner than many expect it to.

To address those concerns, we can consider buying defensive TSX stocks that offer significant growth potential. Two of those top TSX stocks today are **North West Company Inc** ([TSX:NWC](#)) and **Algonquin Power and Utilities Corp** ([TSX:AQN](#))([NYSE:AQN](#)).

### Consumer staple TSX stock

North West Company is an attractive consumer staple stock that's one of the top investments to make on the TSX today. In addition to having a recession-proof business, the stock still offers significant value.

The company recently announced the sale of 34 Giant Tiger stores, which should help North West to shed some of its underperforming businesses. The Giant Tiger stores have been a drag on earnings for the last few years. With the sale of those assets, North West can therefore now focus on its core operations.

The company is committing to its most remote communities, where North West thinks long-term growth will be higher. Also, the company has built itself a significant logistical advantage and competitive moat.

The company has achieved this by acquiring its own airline, which should see some cost cutting-synergies. For the last couple of years, North West has been plagued by one-time costs as it upgraded

its fleet and brought aircraft maintenance in house. Now that the work has been done, the company can reap the rewards of its improved freight costs.

In terms of its impact from COVID-19, the stock isn't immune, but the impact on sales should be minor. The biggest impact could come from the Caribbean stores as tourism has substantially dropped off.

It's worth noting, however, that North West is a consumer staple, which means the impact to its business will be minimal anyway, as many people will still need to buy their household essentials.

Trading at 14 times earnings, North West has significant value, making it one of the cheapest consumer staple stocks on the TSX.

## Power generation and utility stock

Algonquin is one of the top companies for investors to buy in the current environment. The stock offers investors [defensive attributes](#) through its utilities business. However, it also provides long-term growth prospects through its renewable energy business.

With utilities, many investors already know that it's one of the best industries in which to invest as the economy goes through a recession. Power generation is also a resilient industry and should be minimally impacted by the [COVID-19 outbreak](#).

This makes Algonquin one of the top TSX stocks to consider adding to your portfolio today.

The stock gets roughly 66% of its business from utilities, with the rest coming from power generation. That power generation is diversified well. Not only is it diversified among different forms of power production like solar and wind. It's also diversified on a geographic basis.

Furthermore, its power purchase agreements have a weighted average length of 13 years, offering significant stability.

The business also has more than 400 megawatts under construction. This should add another 20% capacity to its power generation capabilities and provide Algonquin with more room for growth.

Its dividend is also highly sustainable. In 2019, it paid out just 60% of its adjusted funds from operations (AFFO), and this year, it's estimated to pay out only 55% of its AFFO.

That is significant stability that only adds to the attractiveness of the company's 4.1% dividend.

## Bottom line

Not only are both these companies capable of offering your portfolio protection through these uncertain times, but both of these TSX stocks also have considerable upside value in their shares.

This makes them incredibly compelling buys today. But with the way markets have been rallying the last few weeks, these discounts likely won't last long.

## CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

## **TICKERS GLOBAL**

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NWC (The North West Company Inc.)

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