



### 3 Defensive Bets to Buy Amid the Challenging Environment

#### Description

Amid the concerns over the rise in COVID-19 infections and weak economic indicators, the equity markets could be highly volatile for the remaining part of this year. Now is therefore the right time to buy defensive stocks, which are immune to economic downturns, to protect your investments.

Meanwhile, here are the top three defensive stocks that investors should consider buying them right now.

#### Waste Connections

My first pick would be **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)), which has been delivering consistent performance over the last few years. In the previous four years, its top line has grown at a compound annual growth rate (CAGR) of over 26%.

The company relies on both organic growth and acquisitions to drive its financials. It targets secondary and rural markets, which helps in acquiring significant market share and maintaining its higher margins.

In its [second quarter](#), the company's top-line declined by 4.7% on a year-over-year basis. Amid the implementation of shelter-in-place restrictions, the collection and disposal of the solid wastes fell, lowering its revenue. Meanwhile, the reopening of the economy led to a significant improvement in the company's volumes by July.

This year, the company has acquired businesses, which could contribute US\$60 million of revenue every year. Meanwhile, it has also signed an agreement to purchase another collection and recycling company, which could add US\$40 million of its revenue every year. So, the company's growth prospects look impressive.

Despite the weakness in the equity markets, its stock price has increased by 3.2% this month. So, given its recession-proof business model and healthy growth prospects, [I am bullish on the company](#).

## BCE

With telecommunication service becoming an essential service nowadays, **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) would be an excellent defensive bet. Despite the impact of the pandemic, the company was able to generate \$2.56 billion of cash from its operating activities in its recently completed quarter. These strong cash flows allow the company to invest in its growth initiatives.

In June, the company had launched the 5G network in five markets with plans for further expansion. It also has rollout broadband wireless home internet service in over 400,000 rural locations amid the increased demand for high-speed connections due to remote working. So, these initiatives could drive the company's financials in the years ahead.

Meanwhile, the company rewards its shareholders by consistently raising its dividends. Since 2015, the company's board has increased the dividends at a CAGR of 6.4%. For the third quarter, it has announced quarterly dividends of \$0.8325. So, the company's forward dividend yield currently stands at a healthy 6.0%.

## Fortis

My third pick would be an electric utility company, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), which is trading flat for this year. The company generates a considerable part of its revenue from rate-regulated assets. So, the company's revenue streams and cash flows are mostly stable. The company is well-diversified, with 52% of its revenue coming from the United States, 38% coming from Canada, and the rest from the international markets.

Supported by the higher rate base of its regulated utility businesses, its adjusted EPS grew 3.7% in its second quarter, while generating \$94 million of cash from its operations. Moreover, the company has planned to increase its rate base by 7% every year through 2024 to \$38.4 billion, supporting its earnings growth in the foreseeable future.

Meanwhile, Fortis is a Dividend Aristocrat which has increased its dividends for the past 46 consecutive years. Currently, the company's dividend yield stands at 3.6%. Also, the company has planned to increase its dividends by 6% every year through 2024.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:WCN (Waste Connections)
4. TSX:BCE (BCE Inc.)
5. TSX:FTS (Fortis Inc.)
6. TSX:WCN (Waste Connections)

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