



3 Defensive Stocks to Buy Amid a Volatile Environment

Description

Although the Canadian equity markets have shown strong resilience, with the **S&P/TSX Composite Index** trading 0.7% higher for this month, the nervousness over the United States Presidential elections' outcome could weigh on the markets in the next few days. Also, the second wave of COVID-19 infections and a high unemployment rate could put pressure on the markets.

Given the volatile outlook, here are the three TSX stocks that can provide stability to your portfolio in case of a market crash.

Waste Connections

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) has returned over 225% in the last five years, driven by its strong fundamentals. Its revenue has grown at a CAGR of 26.3% from 2015 to 2019. Apart from its strong underlying business, the acquisitions during this period have boosted the company's top-line.

It had made 14, 20, and 21 acquisitions in 2017, 2018, and 2019, respectively. Further, the company operates in less competitive rural and secondary markets, which has helped maintain higher margins.

This year, Waste Connections has made seven acquisitions, which would contribute US\$60 million to its top-line every year. Further, the company is focusing on acquiring a collection and recycling company, which could contribute US\$40 million to its revenue annually. Also, as the economic activities have begun to rise after the pandemic-infused lockdown, the company has witnessed an improvement in its volumes in July compared to March lows. So, the company's growth prospects look healthy.

Meanwhile, Waste Connections also pays dividends. In the last five years, it has increased its dividends at 16.7% CAGR. Currently, the company's [dividend yield](#) stands at 0.7%, which is on the lower side. However, its payout ratio stands at 30.9%. So, the company has room to hike its dividends.

Kinross Gold

Amid the volatile equity markets and unattractive bond rates, investors found refuge in gold this year, driving its price higher. The higher gold prices, along with its impressive second-quarter performance, have led to a rise in **Kinross Gold's** ([TSX:K](#))([NYSE:KGC](#)) stock price, which trades around 95% higher for this year.

Last month, Kinross Gold's management had announced that the company would gradually increase its production by 20% to 2.9 million gold equivalent ounces by 2023. It also expects its production costs and capital expenditure to go down. So, the increased production and falling expenses could expand its margins and increase its cash flows supporting its stock price.

Amid the strong cash flows, Kinross Gold has reinstated its dividends after a gap of seven years. It has announced quarterly dividends of \$0.03 per share at an annualized payout of \$0.12. Currently, its dividend yield stands at 1%.

Maple Leaf Foods

My third pick would be a consumer packaged meat company, **Maple Leaf Foods** ([TSX:MFI](#)), which sells its products under various brands. The company is expanding its plant-based protein segment for the last few years, which has hurt its profitability.

However, with customers preferring healthier and more sustainable options, plant-based protein demand could rise in the next few years. The company hopes to make its plant-based protein segment a \$3 billion profitable business over the next decade.

In the first two quarters of this year, its plant-based protein segment's revenue has increased by 34.3%, outperforming the company's guidance of 30%. Meanwhile, the segment has not become profitable yet and had posted an adjusted operating loss of \$50.3 million.

Meanwhile, its meat-protein segment provides stability to its earnings. Its sales grew 9% in the first two quarters, driven by higher exports to Asian markets, increased consumer preferences for branded products, and higher retail sales. Meanwhile, its adjusted operating earnings increased by 37% due to higher gross margins and several cost-cutting initiatives.

Further, Maple Leaf Foods's management is also working on improving efficiency and lowering its SG&A expenses to expand its margins. So, given its recession-proof business model, improving margins, and higher growth prospects, [I am bullish on Maple Leaf Foods](#).

CATEGORY

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TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. NYSE:WCN (Waste Connections)

3. TSX:K (Kinross Gold Corporation)
4. TSX:MFI (Maple Leaf Foods Inc.)
5. TSX:WCN (Waste Connections)

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