



Canadian Investors: Buy These 2 Safe TSX Stocks to Strengthen Your Portfolio

Description

The Canadian equities have recovered strongly from its March lows, with the **S&P/TSX Composite Index** rising around 55%. The reopening of the economy and the vaccine against COVID-19 inching closer to reality contributed to the rise in equity markets. However, the second wave of COVID-19 cases and the uncertainty over the pandemic's impact on the global economy could be headwinds for the markets.

So, I believe the companies with stable earnings and dividends could outperform the broader equity markets, given the uncertain outlook. Here are the two **TSX** stocks that are immune to economic downturns and will protect your portfolio from a market crash.

Telus

Amid telecommunication becoming an essential service in today's digital ecosystem, **Telus** ([TSX:T](#))([NYSE:TU](#)) would be my first pick. The company has added 277,000 new customers in its recently announced [third quarter](#), despite the challenging environment. Its top-line grew 7.7% year over year, while its adjusted EBITDA declined by 0.6%.

The decline in revenue from wire line voice and data services, higher employee benefits, and support for business acquisitions weighed on its adjusted EBITDA.

Meanwhile, Telus is focusing on expanding its 5G network and broadband footprint. As of September 30, the company had implemented the 5G network in 24 cities. It hopes to expand the service to 50 cities by the end of this year, which could boost its customer base.

Earlier this month, Telus's board had raised its quarterly dividends by 7% to \$0.3112 per share. It was the 10th consecutive year of a dividend hike. The strong cash flows from its operations allow the company to raise its dividends.

Its dividend yield currently sits at an attractive 5%. Meanwhile, the management hopes to increase its dividends by 7-10% through 2022, which is encouraging.

Its valuation also looks attractive, with its forward price-to-earnings and forward enterprise value-to-sales multiple standing at 21.2 and 3.1, respectively. So, given the essential nature of its business, healthy dividend yield, and attractive valuation, I believe Telus would be an excellent buy amid an uncertain outlook.

Hydro One

Hydro One ([TSX:H](#)) is a power transmission and distribution company, with 30,000 circuit kilometers of high-voltage transmission lines and around 123,000 circuit kilometers of distribution lines and serves approximately 1.4 million customers, primarily in rural areas. The company earns 99% of its revenue from rate-regulated assets. Further, it is immune to commodity rate fluctuations, as it is not involved in power generating operations.

Driven by higher transmission and distribution revenue, Hydro One's revenue grew by 19.5% in the recently announced third quarter. Its adjusted EPS increased by 17.5%, primarily due to higher revenue partially offset pandemic-related expenses.

Meanwhile, the company made \$500 million of capital investment during the quarter while placing \$371 million worth of assets into service. Its funds from operations increased by 15.8% to \$529 million. Further, the company has access to credit facilities of \$3.5 billion. So, the company's liquidity position looks healthy.

Meanwhile, Hydro One has planned to expand its rate base from \$21.7 billion in 2020 to \$26 billion by 2024 at an annualized rate of 5% by investing \$9.7 billion. The increase in rate base could boost the company's earnings and cash flows.

Supported by its stable cash flows, the company has increased its dividends at an annualized rate of 4.8% since 2016. Currently, it has a dividend yield of 3.5%. So, given its stable cash flows, healthy growth prospects, and reasonable dividend yield, [Hydro One could outperform the broader equity markets over the next three years](#).

CATEGORY

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2. TSX:H (Hydro One Limited)
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Date

2025/07/08

Date Created

2020/11/25

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