



## 3 Safe TSX Stocks to Buy Amid an Uncertain Outlook

### Description

Despite a weak economic outlook, the Canadian equity markets were on a roll last month, with the **S&P/TSX Composite Index** rising over 10%. The rising COVID-19 cases have led some provinces to impose restrictions, which could slow down the recovery. Meanwhile, some analysts have even slashed their fourth-quarter GDP expectations. The disconnect between the Canadian equity markets and the economy could lead to a correction.

So, amid the uncertain outlook, you could strengthen your portfolio by adding the following three TSX stocks, which are mostly immune to economic downturns.

### Waste Connections

**Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)) provides waste collection, transfer, and disposal services to over seven million customers across 42 states in the United States and six provinces in Canada. The company generally operates in secondary and exclusive markets, allowing it to operate at higher margins. Its customer churn rate is low, which is encouraging.

Apart from organic growth, Waste Connections also focuses on acquisitions. In 2017, 2018, and 2019, the company has made 14, 20, and 21 acquisitions. Meanwhile, the company has signed or closed 16 acquisitions this year, which could contribute \$135 million in annualized revenue.

In the [first three quarters](#) of this year, Waste Connections generated \$778 million in free cash flows, representing year-over-year growth of 19.2%. Meanwhile, at the end of its September ending quarter, it had liquidity of \$2 billion, with \$859 million of cash and cash equivalents. So, the company is well positioned to fund its future acquisitions.

In October, Waste Connections's board had raised its quarterly dividends by 10.8% to \$0.205 per share. It has a dividend yield of 0.6%, which is on the lower side. However, the company's dividend-payout ratio is less than 30%. So, the company has significant scope to raise its dividends. Given its recession-proof business model, higher margins, and strong liquidity, I believe [Waste Connections would be an excellent buy](#) amid the uncertain outlook.

## BCE

With telecommunication becoming an essential service now, my second pick would be Canada's largest telecom company by market capitalization, **BCE** ([TSX:BCE](#))([NYSE:BCE](#)). Its top line declined by 2.6% in the recently announced third quarter, while its adjusted EPS fell 12.3%. Amid the pandemic, its wireless roaming volumes and media advertisement revenue fell. Further, numerous business customers delayed their spending, impacting its top line.

However, BCE has added 128,168 new wireless customers and 62,859 new retail internet customers during the quarter. It also generated free cash flow of around \$1 billion. At the end of the quarter, the company had access to \$5.2 billion of liquidity. So, its liquidity position looks healthy.

The company is also expanding its 5G network and advanced broadband internet services to deliver faster and reliable service. With increased people working from their homes amid the pandemic, the demand for high-speed connections has increased, which could drive its financials.

BCE has announced quarterly dividends of \$0.8325 per share. So, its dividend yield currently stands at 5.8%. Given its stable cash flows, healthy dividend yield, and attractive valuation, I am bullish on BCE.

## Alimentation Couche-Tard

Canadian convenience store operator **Alimentation Couche-Tard** (TSX:ATD.B) is my third pick. Driven by strong fundamental growth, the company has delivered over 1,050% returns in the last decade. During the period, its adjusted EPS has grown at a CAGR of 22%, driven by strong underlining business, extensive store network, and accretive acquisitions.

Last month, the company also entered Asia with the acquisition of Convenience Retail Asia for around \$360 million. Meanwhile, this acquisition could act as a launchpad for Alimentation Couche-Tard to expand its footprint in Asia. Its strong liquidity position could support its expansion plans.

The company's board last month raised its quarterly dividends by 25% to \$0.0875. It has a dividend yield of 0.8%. Meanwhile, the company had increased its dividends at an annualized rate of 27% since 2011. Given the non-cyclic nature of its business, high growth potential, and stable cash flow, Alimentation Couche-Tard could outperform the broader equity in the next three years.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:WCN (Waste Connections)
3. TSX:BCE (BCE Inc.)
4. TSX:WCN (Waste Connections)

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