Stock Market Crash: Strengthen Your Portfolio with These 3 Defensive TSX Stocks

Description

The vaccine euphoria and better-than-expected October gross domestic product (GDP) numbers continue to support the Canadian equity markets. The **S&P/TSX Composite Index** is trading just around 2% lower from its all-time high. However, the unemployment rate remained high at 8.5% in November. Also, the rising COVID-19 cases could be a headwind for the markets going forward. So, you can add the following three defensive stocks to stabilize your portfolio.

B2Gold

With the returns on debt instruments being unattractive, investors could find refuge in gold in case of a market crash, driving gold prices higher. So, gold mining companies, such as **B2Gold** (TSX:BTO)(NYSE:BTG), could be an excellent defensive bet. The company, which operates low cost gold mines in Mali, Namibia, and the Philippines, has delivered close to 400% returns in the last five years,

During the first three-quarters of this year, B2Gold's top line has increased by 55.5%, driven by increased production and higher average realized gold price. Its EPS grew 300% year over year amid higher sales and a decline in its operating expenses.

Meanwhile, the company estimates to produce oneomillion ounces of gold for this year, while its consolidated cash costs could remain on the lower side, which is encouraging. Further, it has several developmental and exploration projects in the pipeline, which could boost its financials in the coming years.

Meanwhile, amid the recent pullback in gold prices, B2Gold's stock fell, lowering its valuation multiples. It currently trades a forward price-to-earnings multiple of 12.1 and a forward enterprise value-to-sales multiple of 3.9. Given its attractive valuation, healthy balance sheet, increased production, and falling expenses, B2Gold would be a good buy right now.

Waste Connections

Waste Connections (TSX:WCN)(NYSE:WCN), which provides waste collection and disposal services, remains mostly immune to the stock market volatility. The company focuses on secondary and exclusive markets, which allows it to operate at higher margins and lower its customer churn rate. The company generally has its disposal sites near the waste streams, which provides a competitive edge over its peers.

Apart from organic growth, Waste Connections also focuses on acquisitions to solidify its competitive positioning. It has acquired 55 companies in the last three years. This year, it has made 16 acquisitions so far, which could contribute $135 million of revenue annually.

Further, Waste Connections has raised its dividends for the previous 10 years at a compound annual growth rate (CAGR) of over 15%. In October, the company had increased its quarterly dividends by 10.8% to US$0.205 per share, representing a dividend yield of 0.8%. Although the company's dividend yield is on the lower side, given its stable cash flows, investors can expect Waste Connections to continue raising its dividends in the coming years.

Canadian National Railway

My final pick would be **Canadian National Railway** (TSX:CNR)(NYSE:CNI), a transportation and logistics company, which transports over 300 million tons of goods and products annually across North America. Given the essential nature of its underlining business, the company is largely immune to economic downturns.

During the third quarter, the company financials declined on a year-over-year basis due to the pandemic. However, the company showed a sequential improvement, indicating a growing demand for certain commodities. The company's management is cautiously optimistic about its fourth-quarter performance and 2021.

Meanwhile, given its well-diversified revenue stream and the improving economic activities, I expect the company to deliver better numbers during the fourth quarter. Further, the victory of Joe Biden in the United States presidential election could improve the trade between the United States and Canada in the coming years, increasing the demand for Canadian National Railway's services.

Further, the company has been rewarding its shareholders by raising its dividends consistently since 1995 at a CAGR of 16%. Currently, the company has a dividend yield of 1.6%. With its payout ratio standing at just 36%, the company has more room to increase its dividends.

CATEGORY

1. Dividend Stocks
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3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:WCN (Waste Connections)
3. NYSEMKT:BTG (B2Gold Corp.)
4. TSX:BTO (B2Gold Corp.)
5. TSX:CNR (Canadian National Railway Company)
6. TSX:WCN (Waste Connections)

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