



Canadian Investors: Top 3 Defensive TSX Stocks To Buy Right Now

Description

If you are expecting the markets to crash this year, given the meteoric rise in equity markets from their March lows, then you are not alone. Few industry experts are also projecting a vicious pullback in the equity markets, given the astronomical valuations, rising COVID-19 cases, and a slowdown in the economic recovery rate. So, amid the uncertain outlook, here are the three defensive stocks that could strengthen your portfolio.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is an electric and gas utility company serving around 3.3 million customers. The company runs a highly-regulated business with 99% of its adjusted earnings generated from regulated assets, thus protecting its financials from price and volume fluctuations. These stable cash flows have allowed the company to raise its dividends for [47 consecutive years](#). The company currently pays quarterly dividends of \$0.505 per share at a dividend yield of 3.95%.

Meanwhile, Fortis is focusing on expanding its rate base to increase its earnings and cash flows. Over the next five years, the company [plans](#) to invest \$19.6 billion to increase its rate base by around \$10 billion to \$40.3 billion by 2025. The management also expects to increase its dividends at an annualized rate of 6% during the same period. So, given its highly-regulated business, stable cash flows, and healthy dividend yield, I believe Fortis can outperform the broader equity markets during an economic downturn.

Telus

Telecommunication companies were under pressure last year, as the pandemic-infused travel restrictions lowered their wireless roaming revenues. The rollout of multiple vaccines could prompt governments to ease travel restrictions, thus boosting telecommunication companies' roaming revenue. So, I have chosen **Telus** ([TSX:T](#))([NYSE:TU](#)) as my second pick.

Despite the challenging environment, the company added 277,000 new wireless and wireline

connections in its recently announced third-quarter results. Further, it has achieved a below 1% churn rate in the past three consecutive quarters, which is encouraging.

The company is also focusing on expanding its 5G network and broadband footprint. The company's management expects its 2020 free cash flows to be at the lower-end of its earlier announced guidance of \$1.4 billion to \$1.7 billion.

Besides, Telus has rewarded its shareholders by raising its dividends for 10 consecutive years. Currently, it pays quarterly dividends of \$0.3112 per share, representing a dividend yield of 4.7%.

Waste Connections

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) remains mostly immune to market volatility, given the defensive nature of its business. The company, which provides waste collection and disposal services, had returned 10.7% last year, comfortably outperforming the broader equity markets. It operates in secondary or exclusive markets, allowing the company to maintain its higher margins. Further, the company has a competitive edge over its peers, as its disposable sites are located close to the waste streams.

With the industry being highly fragmented, Waste Connections is focused on acquisitions to expand its footprint. Last year, the company had signed or completed 16 acquisitions, which could contribute \$135 million in annualized revenue. Further, its cash flows remained strong, with the company generating \$1.19 billion of net cash from its operating activities in the first three quarters for this year.

Supported by its strong cash flows, Waste Connections has raised its dividends for the last 10 consecutive years at a compound annual growth rate (CAGR) of over 15%. Currently, the company pays quarterly dividends of US\$0.205, representing a dividend yield of 0.8%, which is on the lower side. But, given the company's stable cash flows, we can expect the company could keep raising its dividends in the coming years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

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

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