
3 Defensive TSX Stocks to Buy in 2021

### Description

The meteoric rise in equity markets from their March lows has made TSX stocks expensive on the valuation front. Given the stretched valuations and uncertain outlook amid rising COVID-19 cases and slowing down in the economic recovery rate, few industry experts are warning of a vicious pullback. If you are also worried about a market correction, you can strengthen your portfolio by adding the following three defensive stocks to your portfolio.



## Algonquin Power & Utilities

**Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is a utility and renewable energy company, with 70% of its business involved in the utility business, while the remaining 30% is engaged in power generation from renewable sources. The company provides gas, water, and electricity transmission and distribution services to around one million customers across North America.

Its low-risk, regulated utility business offers protections from downside risks, while its renewable energy assets offer high-growth prospects. Meanwhile, the company sells 85% of the energy generated from its facilities through long-term contracts, thus providing stability to its financials. Over the last five years, Algonquin Power & Utilities's adjusted EPS has grown at a CAGR of 13.5%, representing its strong underlying business.

Meanwhile, Algonquin Power & Utilities has planned to invest around $9.4 billion over the next five years, which could increase its rate base at a CAGR of 11.2%. Supported by these investments, the company's adjusted EPS could grow at the rate of 8-10% during the period.

## Fortis

**Fortis** (TSX:FTS)(NYSE:FTS) runs a highly regulated gas and electric utility business serving around 3.3 million customers. The company generates 82% of its revenues from regulated assets or residential sales, thus providing stability to its financials. Despite the impact of COVID-19, the company reported an adjusted EPS of $0.65, representing a marginal decline from $0.66 in the previous year's quarter.

Supported by its stable cash flows, the company has raised its dividends for 47 consecutive years. Currently, the company pays quarterly dividends of $0.505, representing a dividend yield of 3.9%.

Meanwhile, Fortis has planned to invest 19.6 billion over the next five years, which could increase its rate base by $10 billion to $40.3 billion by 2025. These investments could boost the company's earnings and cash flows in the coming years. The management also expects to raise its dividends at a CAGR of 6% over the next five years. So, given its stable cash flows, healthy growth prospects, and impressive track record, I believe Fortis would be an excellent defensive bet.

## Kinross Gold

Amid the low-interest-rate environment, investors could move towards gold in case of a pullback in equity markets, pushing gold prices higher. High gold prices could benefit gold mining companies, such as **Kinross Gold** (TSX:K)(NYSE:KGC). Further, the company also expects to increase its production by 20% over the next three years. Meanwhile, the management expects its cost of sales to fall during the period, which could boost its margins. With the expectation of improvement in its operating metrics, higher gold prices could significantly boost Kinross Gold's bottom line and stock price.

Amid the recent correction in gold prices, the company's stock price has declined. Currently, it trades at around a 34% discount from its 52-week high. Its valuation looks attractive with its forward price-to-earnings multiple and forward price-to-sales multiples standing at 7.7 and 1.8. Given its lower correlation with broader markets, Kinross could outperform in case of an economic downturn.



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**TICKERS GLOBAL**

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:KGC (Kinross Gold Corporation)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:FTS (Fortis Inc.)
6. TSX:K (Kinross Gold Corporation)

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rnanjapla