



## 4 Defensive Canadian Stocks to Buy Right Now

### Description

The strong buying amid the demand recovery expectation has led to a stellar rally in the **TSX** stocks, stretching their valuations. Given their expensive valuations and uncertain outlook amid the fears of the third-wave of COVID-19, few industry experts have warned of a vicious pullback. So, if you are worried about the correction, here are four defensive Canadian stocks you can buy right now.

### Waste Connections

Given the nature of its business, **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)) is mostly immune to economic downturns. The integrated solid waste management company operates in secondary or exclusive markets, allowing it to maintain its margins. Further, it possesses disposable sites close to the waste streams, providing a competitive edge over its peers.

Yesterday, the company [reported](#) its fourth-quarter earnings. Despite the pandemic, the company's top-line grew by 2.6%, while its adjusted EBITDA increased by 1.8%. However, its adjusted EPS contracted marginally from US\$0.69 to US\$0.68.

Meanwhile, the management projects its top line to grow 7.6% in 2021, excluding additional acquisitions, while its net income could grow by 18%. Its cash flow could also increase by 12.8% to US\$950 million.

### Algonquin Power & Utilities

**Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) operates highly diversified utility businesses and generates power from renewable sources. The company sells 85% of the energy produced from its facilities through long-term contracts, thus shielding its financials from price and volume fluctuations.

Meanwhile, the company's management has planned to invest \$9.4 billion over the next five years, including \$6.3 billion in utility businesses and \$3.1 billion in renewable assets. These investments

could expand its rate base at a CAGR of 11.2% and increase its adjusted EPS at an annualized growth rate of 8-10%. The company also pays quarterly dividends of \$0.2019 per share, representing a dividend yield of 3.7%.

Given its low-risk utility business and stable cash flows from its renewable energy assets, [Algonquin Power & Utilities would be an excellent defensive bet.](#)

## Fortis

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is a top stock to own amid volatility. Its highly diversified low risk utility businesses generate high-quality earnings and predictable cash flows. In 2020, the company made a \$4.2 billion capital investment, increasing its rate base by 8.2% to \$30.5 billion. Supported by these investments, its adjusted EPS increased 0.8% despite the pandemic's impact.

Meanwhile, the company has plans to invest \$19.6 billion over the next five years, increasing its rate base at a CAGR of around 6% to \$40.3 billion. The expansion of the rate base could drive the company's earnings and cash flows. Amid the increased cash flows, the company's management has planned to raise its dividends at a CAGR of 6%. Currently, the company pays quarterly dividends of \$0.505 at a dividend yield of 3.9%.

## BCE

With telecommunication becoming an essential part of day-to-day activities, I have selected **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) as my final pick. Although the pandemic-induced travel restrictions have impacted its revenue, the company continued to add new customers. The company added 147,000 new connections in the fourth quarter while generating \$1.63 billion in operating cash flows.

At the end of the fourth quarter, BCE had provided direct fiber and rural wireless home internet connections to around 6 million customers. Meanwhile, the company hopes to add 900,000 more customers this year and double its 5G population coverage. For this purpose, the company plans to spend around \$1 to \$1.2 billion over the next two years. So, the company's growth prospects look healthy. The company's dividend yield also looks attractive at 6.3%.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BCE (BCE Inc.)
3. NYSE:FTS (Fortis Inc.)
4. NYSE:WCN (Waste Connections)
5. TSX:AQN (Algonquin Power & Utilities Corp.)
6. TSX:BCE (BCE Inc.)
7. TSX:FTS (Fortis Inc.)

8. TSX:WCN (Waste Connections)

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## **Date**

2025/09/09

## **Date Created**

2021/02/18

## **Author**

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