



### 3 Defensive Canadian Stocks in a High Stock Market

#### Description

The last few days saw the Canadian stock market retreating from its all-time high. Today, at writing, it's in the red by about 0.55%.

While some stocks like **Maxar Technologies** and **Docebo** lost altitude by falling about 26% and 6%, respectively, down to earth, other stocks are showing strength and resilience by being in the green. They include **Waterloo Brewing** (TSX:WBR), **West Fraser Timber** ([TSX:WFG](#))([NYSE:WFG](#)), and **Converge Technology Solutions** ([TSX:CTS](#)). A closer look suggests more upside might be coming!

#### Waterloo Brewing

[Waterloo Brewing](#) stock has appreciated about 4.4% as of writing with a market cap north of \$245 million. It is Ontario's largest Canadian-owned brewery. It is a regional brewer of award-winning premium quality and value beers that was founded in 1984.

The brewer is a consumer defensive stock with a track record of dividend increases. The brewery has increased its dividend every single year in the past five years. It's a high-growth-stock suspect, as its three-year dividend-growth rate is approximately 16%!

Its growth has actually accelerated recently. Last year, it posted record revenue growth of 44% to \$87 million, while its EBITDA climbed 31% to \$15 million. These results were strong, despite experiencing a compressed gross margin from being challenged with higher costs "due to global market supply and cost issues with aluminum cans and temporary outsourcing measures taken to meet increased production demand prior to the completion of planned can capacity upgrades," as explained in its press release.

Its balance sheet looks reasonable. At \$6.93 per share, it yields about 1.6% and can appreciate about 18% over the next 12 months.

## West Fraser Timber

West Fraser Timber has climbed 1.8% as of writing. It is one of the largest lumber producers in North America with a market cap of \$12 billion.

Specifically, West Fraser is a diversified wood products company with more than 60 facilities in Canada, the United States, the United Kingdom, and Europe.

The company produces a variety of wood products from responsibly sourced and sustainably managed forest resources. It produces lumber, engineered wood products (oriented strand board, laminate veneer lumber, medium-density fibreboard, plywood, and particleboard), pulp, newsprint, wood chips, other residuals, and renewable energy.

Its products are used in home construction, repair and remodeling, industrial applications, papers, tissue, and box materials.

If you're bullish on wood and lumber, West Fraser is a great consideration.

West Fraser has an investment-grade balance sheet with an S&P credit rating of BBB-. At \$98.61 per share, it yields about 0.8% and can appreciate about 20% over the next 12 months.

## Converge Technology Solutions

[Converge Technology Solutions](#) is a young company founded in 2016 that is still in a high-growth stage. It is an IT consulting company that delivers advanced analytics, cloud, cybersecurity, and managed services offerings to public and private sector clients across various industries. M&A is a part of its key strategy. In 2020, it completed five acquisitions.

Last year, Converge increased its revenues by 38% to almost \$949 million, while its adjusted EBITDA climbed 92% to north of \$60 million. Analysts are optimistic about the tech stock, valuing it at a forward price-to-earnings ratio of about 18 and estimating a 12-month upside potential of 47%.

Notably, the stock is almost a five-bagger from merely a year ago, as it skyrocketed from a very low valuation coupled with high growth.

As a small-cap TSX stock, it remains generally under the radar. It's hovering close to a \$1 billion market cap. Once it crosses the \$1 billion milestone from close to \$985 million, it should get more attention from the investing community and institutional money.

The continued success of Converge is largely dependent on its working its mojo on its disciplined M&A strategy.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:WFG (West Fraser Timber Co. Ltd.)

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