Want Cash Flow Winners? Buy These 2 Defensive Stocks

Description

Long-term investors generally own dividend stocks. The objective is to have steady cash flows or generate more money to reinvest. On the TSX, there are cash flow winners. **Fortis** (TSX:FTS)(NYSE:FTS) and **Telus** (TSX:T)(NYSE:TU) are like cows that provide milk regularly.

Both dividend payers are excellent for income investors, because the companies produce cash flow consistently. Moreover, the respective businesses can weather economic storms and keep offering investors dividend payments.

The TSX is on a roll in 2021, although factors like the pandemic and rising inflation could shake the market. If you were to protect your capital from such anomalies and receive recurring income, now more than ever is the time to be a defensive investor.

Defensive gem

Fortis has long been a core holding of risk-averse investors. The investment thesis is safety, stability, and growth. Bonds are safe assets, but this utility stock possesses similar characteristics. The returns should be higher over the long term. Even soon-to-be retirees invest in this defensive gem to lower their risk exposure.

All stocks, without exception, aren't risk-free. However, Fortis can deal with economic downturns or bouts of market volatility better than most. Stock prices are unpredictable, but you won't see wild price swings in the utility stock. Thus far, in 2021, Fortis is holding steady (+6.7%). At $54.44 per share, the dividend yield is 3.68%.

You can't go wrong with Fortis, because its utility assets are virtually 100% regulated. The growth is organic, and it has doubled in size over the last five years. Management expects the base rate to be worth $40.3 billion in five years. Also, the target is to raise dividends by an average of 6% annually through 2025.

Recession-proof industry

Canada's second-largest telecom company is constantly evolving. Apart from the wide range of communications products and services, Telus is present in the healthcare sector and the digital space. Telus Health has been a leading digital healthcare provider for a decade, while **Telus International** delivers digital experience solutions globally.

Over the last three years, the average annual revenue and net income of this $37.17 billion company were $14.6 billion and $1.45 billion, respectively. Customer service excellence and technology leadership are the top priorities. Telus has one of the highest loyalty rates in the telco industry.

TELUS's revenue sources are diverse (personal, business, and healthcare segments). Cash flow generation shouldn't be a problem, as subscribers paying recurring monthly fees are ever growing. Furthermore, the telecom industry is a recession-proof business. The internet and telecommunications services are vital needs regardless of the economic environment.

Lastly, TELUS is a Dividend Aristocrat owing to the yearly dividend increases (growth rate of 9% CAGR) since 2002. Its multi-year dividend-growth program is ongoing. Investors can expect between 7% and 10% annual dividend increases through 2022. The current share price is $27.43, while the dividend yield is a lucrative 4.67%.

Enduring businesses

The phrase *cash cow* doesn't apply to all dividend stocks, but Fortis and Telus are enduring businesses where cash generation is inherent in the operations. Likewise, the stocks have defensive qualities that should insulate investors from market turbulence. The rewards are stable, recurring passive-income streams that should last for decades, if not forever.

CATEGORY

1. Dividend Stocks
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