2 Defensive Dividend Stocks for July 2021 and Beyond

Description

You can expect more volatility to come in the expensive stock market. As a market correction has been long due, it's time to be defensive.

Here are a couple of defensive dividend stocks you can consider buying, especially on dips.

Fortis stock

Fortis (TSX:FTS)(NYSE:FTS) is a defensive dividend stock to own. The utility is an essential part of the communities it serves. People need to use electricity and gas in good and bad economic times. Fortis primarily transmits or distributes electricity and gas to its commercial and retail customers. These types of assets particularly provide resilient results.

The regulated utility generates predictable returns on equity on its assets. Its stability and predictability have allowed it to compound its dividend per share by 5.6% annually for the past 10 years. Through 2025, management also projects a compound annual growth rate averaging 6% for its dividend growth.

Last year during the pandemic, Fortis experienced marginal earnings-per-share growth of roughly 1% and increased its dividend by 6%. Other than resilient earnings, its sustainable payout ratio of about 75% also allowed it to grow its dividend healthily.

The company has increased its dividend for 47 consecutive years, and its dividend-growth streak will reach the half-century mark soon.

During the pandemic market crash last year, the low-beta stock fell as much as 30%. But that was a flash crash that it quickly recovered from. Interested investors would have been super lucky to even grab the stock at 20% lower than its pre-pandemic peak of about $56 per share.

Right now, the fairly valued dividend stock yields approximately 3.6%. Based on a 6% dividend hike in September, that would be a forward yield of about 3.8%. Market corrections or incremental interest rate hikes could cause dips in Fortis stock. A dip to $50-54 per share would make it a more attractive buy.

goeasy stock

goeasy (TSX:GSY) provides lending and leasing services to non-prime Canadian consumers across 10 provinces.

Last year, the investing community initially thought that it would experience no growth during highly uncertain economic times from pandemic impacts. The actual results were shocking. It boosted revenue by 7%, while more than doubling its net income and earnings per share!

The company has a track record of opening up new avenues of growth. In 2000, it launched *easyhome* , which allowed consumers to rent to own furniture, appliances, and electronics. Imagine paying $18 a week for a fridge or $19 a week for a laptop until they're paid off.

Late in the decade, goeasy followed with the launch of *easyfinancial*, which provided personal and bad credit loans that charged rates of about 20% to 47% — the low end of which is similar to credit card rates.

Over time, it has grown to be the largest non-prime lender in Canada. Currently, it's at the stage of making strategic acquisitions to expand its product offerings and geographically. goeasy's latest acquisition, announced in April, is LendCare, which provides non-prime financing at the point of sale. Management expects the acquisition to be immediately accretive.

Since 2010, the growth stock has been an 18-bagger, growing a $10,000 investment to more than $185,000 with annualized returns of close to 29%. The dividend stock has earned its Canadian Dividend Aristocrat status. This year marks the growth stock's seventh consecutive year of dividend growth.

Another black swan or bad economic news could trigger a selloff in goeasy stock to the $116-$143 level based on its normal valuation.

The Foolish investor takeaway

Fortis stock isn't affected by business cycles. goeasy should experience increased demand for its products and services during bad economic times. Therefore, the dividend stocks are defensive investment considerations.

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1. Dividend Stocks
2. Investing

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