2 Defensive Growth Stocks to Buy to Add Portfolio Stability

Description

When it comes to adding stability to a portfolio, defensive growth stocks are a great option. These companies tend to offer the benefit of long-term capital gains along with comparatively lower risk than other stocks.

Considering the current market volatility and risks of the upcoming recession, investors may certainly opt for investing in defensive growth stocks.

Here are two top options in this regard that I think are worthy of consideration in this environment.

Top defensive growth stocks to buy: Restaurant Brands

Globally, **Restaurant Brands** (TSX:QSR)(NYSE:QSR) is one of the largest fast-food holding companies. This Canada-based company is the fifth-largest quick-service restaurant company in the world. Indeed, with more than $35 billion in sales annually and over 29,000 restaurants in more than 100 countries, Restaurant Brands is a company which is defensive on the basis of its size alone.

Additionally, the company's world-class banners, which include Popeyes, Burger King, Firehouse Subs, and Tim Hortons, provide another layer of defensiveness. Consumers know what they want when it comes to chains. And these chains have proven their ability to capture consumer interest, particularly in high-growth markets such as Asia, where Restaurant Brands is expanding aggressively.

This company's dividend yield of 3.6% is meaningful and provides another layer of defensiveness for long-term investors. Should the company's stock price get hit hard enough, dividend investors are likely to swoop in for the yield. Thus, there's a theoretical floor beneath this stock, unlike many growth stocks that don't pay out a dividend.

Over time, I think Restaurant Brands's growth prospects, along with its strong balance sheet and capital-distribution track record, make this a top stock for long-term investors to own. It's one of my largest holdings for a reason.

Boyd Group

Boyd Group (TSX:BYD) is another company I'd put in the defensive growth bucket. More highly valued than Restaurant Brands, Boyd Group trades at a rather high multiple of around 150 times earnings. Additionally, this company's dividend is comparatively much smaller, with a yield of only 0.3%.

That said, these metrics are largely tied to Boyd's long-term growth track record. A consolidator of non-franchised collision repair shops, Boyd has found a model that works. The company acquires and rolls up independent glass and auto repair shops, creating serious synergies along the way. Thus far, investors have benefited from this growth strategy. Indeed, looking at the company's long-term stock chart, it's about as perfect as an investor would want to see.

The question is, can this growth continue? I think the answer is yes. With a still highly fragmented market in North America, Boyd's opportunities for continued consolidation are endless. And while financing costs for acquisitions have increased of late, the company's underlying model seems to make sense. This is a company with a world-class mergers and acquisitions team driving the boat.

Overall, I think both defensive growth stocks are worth considering right now. Any portfolio with one or both of these names are likely to outperform in the long term, at least in my view.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:BYD (Boyd Group Income Fund)
3. TSX:QSR (Restaurant Brands International Inc.)

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Author
chrismacdonald