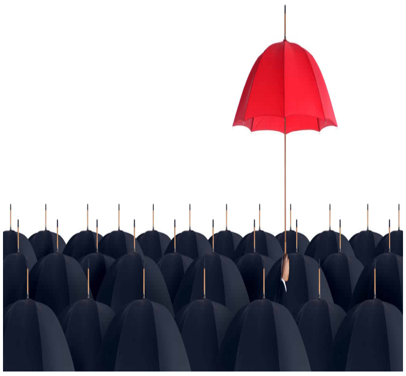

2 Recession-Resistant Stocks to Buy for Steady Gains in 2023

### Description

In 2022, investors were worried about the threats associated with inflation and interest rate hikes which accelerated the selloff across asset classes. While inflation will weigh heavily on consumer spending, the rising cost of debt will result in lower demand for individual, housing, and commercial loans.



As credit dries up, economic growth stagnates, resulting in a recession. Several experts believe a recession to impact several countries in 2023, suggesting equity markets will remain volatile this year as well.

But there are a few companies that thrive, even during a recession. Here, we'll look at two recession-resistant TSX stocks investors can buy and hold right now.

## Hydro One

**Hydro One** (TSX:H) is among the largest electrical utilities in North America, with a vast presence in Ontario. Equipped with an investment-grade balance sheet, this utility giant generates stable cash flows across business cycles, allowing it to pay shareholders annual dividends of $1.12 per share, translating to a forward yield of 3.1%.

Hydro One targets a payout ratio of between 70% and 80%, providing it with enough room to focus on rate base expansion and strengthening its balance sheet.

Hydro One went public in late 2015 and has increased its dividend payouts at an annual rate of 4.2% in the last seven years. The utility stock has returned 120% to shareholders since its initial public offering, beating the TSX index, which has surged 92% in this period.

Hydro One offers a unique combination of electrical transmission and local distribution with no exposure to power-generation assets. Its cash flows are regulated, predictable, and transparent, making it one of the best defensive stocks to own in 2023.

Its consistent rate base growth and a solid capital investment program should allow Hydro One to increase cash flows and dividends consistently in the next 10 years.

## Waste Connections

An integrated solid waste services company, **Waste Connections** (TSX:WCN) provides the collection, transfer, and disposal of non-hazardous waste. It serves more than eight million residential, commercial, and industrial customers in six Canadian provinces and 43 states south of the border.

The company also provides oilfield waste treatment as well as recovery and disposal services in multiple basins in the United States. Valued at a market cap of $45.4 billion, Waste Connections stock has gained 500% in the last decade, easily crushing broader market returns.

Compared to other utility companies, Waste Connections offers an unattractive dividend yield of 0.8%. But these payouts have increased by 14% annually since August 2017.

In the last three quarters, Waste Connections reported revenue of $5.34 billion compared to sales of $4.52 billion in the year-ago period. Its operating income stood at $930.2 million compared to its operating income of $790.3 million in the prior-year period.

The company expects to end 2022 with revenue of $7.19 billion, net income of $836.7 million, and adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) of $2.21 billion. Its capital expenditures are forecast at $850 million with an adjusted free cash flow of $1.16 billion.



Priced at 31 times forward earnings, WCN stock's adjusted earnings are forecast to expand by 13.5% annually in the next five years. Analysts remain bullish on this stock and expect it to surge around 18% in the next 12 months.

**CATEGORY**

1. Dividend Stocks
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1. TSX:H (Hydro One Limited)
2. TSX:WCN (Waste Connections)

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**Date**
2025/07/19
**Date Created**
2023/02/01
**Author**
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