



## Top Stock Picks for February

### Description

We asked our contributors to pick their favorite Canadian stocks to buy this month. Here are their top ideas.

#### **Matt Smith: Lightstream Resources (TSX:LTS)**

As a contrarian, my top stock for February is beaten-down intermediate oil producer Lightstream Resources.

Over the course of 2013, Lightstream's value plunged by 43%, driven by concern over the company's truckload of debt. But since announcing a revised capital plan in November 2013, its price has bounced back nicely by 18%.

This rebound should continue as the revised capital plan gains traction and debt falls. Lightstream is currently quite attractively priced with an enterprise value of 4 times EBITDA and 16 times net oil reserves. More promising are its high quality Bakken and Cardium acreages, which will eventually allow it to boost oil reserves and increase production.

*Fool contributor Matt Smith does not own shares in any of the companies mentioned.*

#### **Matt DiLallo: Brookfield Asset Management (TSX:BAM.A)([NYSE:BAM](#))**

Brookfield Asset Management has long been a favorite stock of mine. I've owned it for years and am planning on [buying more this year](#). Not only are shares selling for a compelling discount to the real value of the assets Brookfield owns, but the company has a real visible path to future growth.

Brookfield owns interests in real assets like real estate, pipelines, timber and ports. These should become an increasingly important portion of investors' portfolios in the decades ahead. Secured, growing cash flows from these assets should provide better yields than bonds, without the volatility of stocks. Because of this, Brookfield should continue to deliver market-beating returns over the long term.

*Fool contributor Matt DiLallo owns shares of Brookfield Asset Management.*

### **Karen Thomas: Encana Corp (TSX:ECA)**

Encana is one of Canada's largest energy producers with an unparalleled land position and inventory. The company has recently undergone a shift in strategy that I believe will result in outperformance of the share price.

Once very heavily focused on natural gas, Encana is in the process of diversifying its production base and expects that by 2017, 70% of cash flows will be from production of higher value natural gas liquids. Capital spending will be more focused, and Encana expects a 10% increase in netbacks, as the company favours profitability over production growth.

Furthermore, Encana will still be holding on to its enviable land position and decades of drilling inventory, and as such will have natural gas optionality. The company will be in a position to take full advantage of a future rise in natural gas prices, as these gas assets are quite profitable and competitive in the right price environment.

*Fool contributor Karen Thomas owns shares of Encana.*

### **Robert Baillieul: Valeant Pharmaceuticals (TSX:VRX)(NYSE:VRX)**

Is Valeant Pharmaceuticals the next **Johnson & Johnson**? It's certainly possible. In January, executives predicted that the firm would join the world's top five pharmaceutical companies by market capitalization by the end of 2016. The image that comes to my mind is Muhammad Ali claiming that he will win the fight at the weigh-in. No, it's not modest. But it's not bragging if you can back it up.

Valeant has grown quickly over the past several years through acquisitions. Buying small drug makers and pushing new products through the company's large distribution network has proven enormously profitable.

The strategy has worked so far. But to crack to top five, Valeant will need to increase its market capitalization three-fold to \$150 billion. If management can pull it off, shareholders will be richly rewarded.

*Fool contributor Robert Baillieul has no positions in any of the stocks mentioned in this article.*

### **Neha Chamaria: Westport Innovations (TSX:WPT)([NASDAQ:WPRT](#))**

This little company that engineers natural gas engines has caught my attention for several reasons. After spending years developing products and growing its customer base (giants like **Ford** and **Caterpillar** have already put their weight behind its technology), Westport is now ready to move out of the growth phase, and hopes to turn profitable this year.

Third-quarter shipments from Westport's joint ventures with leading engine maker **Cummins** and China-based Weichai Power jumped 51% and 88%, respectively.

With major fleet operators in the U.S. increasingly shifting to natural gas vehicles, and China about to

implement NS IV emission standards, Westport has some [massive opportunities](#) at hand. Orders for the recently launched Cummins-Westport ISX 12G engines are already expected to jump fourfold this year.

February is a critical month, since both Westport and Cummins will report earnings. With solid growth catalysts in place, and the stock having lost a whopping 31% in 2013, I think Westport Innovations is a [compelling buy](#) right now.

*Fool contributor Neha Chamaria does not own shares in any of the companies mentioned at this time. The Motley Fool owns shares of Westport Innovations.*

### **Nelson Smith: Reitmans (TSX:RET.A)**

My top stock pick for February is Reitmans, a women's apparel chain with over 900 locations. The stock is trading at just a little above book value, is sitting on a healthy cash position, and shares are so cheap management just authorized a share buyback.

Reitmans heavily invested in the business in 2013, revamping stores and rolling out a new inventory system. Management is solid as well, as the CEO has been with the company for almost 40 years. It's a turnaround story, but I think investors will be rewarded for buying at these depressed levels.

*Fool contributor Nelson Smith owns shares in Reitmans.*

### **Chris Lau: OpenText (OTC.TO)**

OpenText is already up almost 9% in 2014 and 70% in the last year, but there are many reasons this application software giant could do well in February.

In its last quarter, OpenText earned \$1.58 per share on revenue of \$363.5 million. The company is splitting its shares two-for-one to increase liquidity. The company has healthy margin for cloud services (62.1%), healthy license revenue (up 7%), and overall gross margin of 74%. Its GXS acquisition cost \$1.1 billion, will be made to operate more efficiently, and will be immediately accretive to earnings.

*Fool contributor Chris Lau does not own shares in any of the companies mentioned at this time.*

### **Benjamin Sinclair: Aimia Inc. (TSX:AIM)**

Aimia Inc. is one of the world's leading loyalty marketing companies, best known for the Aeroplan program.

Aeroplan's economics are very favourable to Aimia, and as a result, Aimia is extremely profitable. By the end of 2012, the company had about \$1 billion in tangible assets (ex-cash) but made \$300 million in free cash flow. Meanwhile both Aeroplan's partners and members face high switching costs.

Aimia trades at only 11 times its 2012 free cash flow, a very low multiple for a company with such strong economics. Further upside comes from the TD deal and its international businesses.

*Fool contributor Benjamin Sinclair owns shares of Aimia Inc.*

## Alex Gray: Long Run Exploration Ltd. (TSX:LRE)

Last year it appeared this oil and gas company was hitting on all cylinders after making a couple of acquisitions and increasing production. Convinced management was focused on growth, several analysts upgraded the shares with price targets as high as \$9.00. Then in November, Long Run announced it would transition to a sustainable intermediate dividend plus growth model that quickly shaved approximately 10% off the share price as growth investors exited.

Downgrades followed the announcement, but target prices remained above \$6.00. In addition, Long Run will distribute the first payout under its new dividend-paying model later this month. The implied yield will be approximately 8%, which should spark some interest among income investors. Add to that strong energy prices and shares of Long Run begin to look undervalued at current levels.

*Fool contributor Alex Gray has an indirect interest in Long Run Exploration.*

### CATEGORY

1. Investing
2. Top TSX Stocks

### TICKERS GLOBAL

1. TSX:AIM (Aimia Inc.)
2. TSX:BHC (Bausch Health Companies Inc.)
3. TSX:BN (Brookfield)

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