Top Stock Picks for May

Description

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

Robert Baillieul: Inter Pipelines Ltd. (TSX: IPL)

I doubt you've heard of this company. But despite being relatively unknown, this stock might become one of your favourite names on this list.

Inter Pipeline operates 6,300 kilometres of oil and gas pipelines as well as several massive storage facilities in Western Canada and Europe. We love these types of assets here at The Motley Fool because they have long lives and face limited competition. Once built, they're like a toll road generating steady profits year after year.

This allows the company to return ample cash to shareholders. Today the stock yields 4.3% and has increased its payout 10 times over the past decade. And thanks to Alberta's booming oil production, investors can count on more dividend hikes for decades to come.

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

Benjamin Sinclair: MEG Energy (TSX: MEG)

MEG Energy is a pure-play heavy oil producer in Alberta. The company's production, and most immediate growth prospects, come from Christina Lake, a very high-quality asset. As a result, MEG is one of the industry's lowest cost producers, with net operating costs of only $10 per barrel.

MEG is growing aggressively, with plans to more than double 2013's daily production by 2015. With such a quality asset, MEG's high growth will create tremendous value for shareholders, especially if transportation bottlenecks continue to weaken. As a bonus, MEG trades at only 1.05 times the present value of its proved reserves.

Fool contributor Benjamin Sinclair owns shares of MEG Energy.

Neha Chamaria: PotashCorp (TSX: POT)(NYSE: POT)

PotashCorp's recently released first-quarter numbers and outlook should be enough to pique any investor's interest now.

PotashCorp's Q1 numbers not only beat Street estimates, but the company also improved its guidance for 2014, encouraged by improving fertilizer market fundamentals. PotashCorp's order flow into the second quarter remains strong, with the U.S. spring planting in progress and the Brazilian season nearing. Meanwhile, PotashCorp is also on track to cut potash costs by $15-$20 a tonne this year, which should further boost margins.

PotashCorp increased its quarterly dividend by 25% in 2013, and its stock currently sports a juicy dividend yield of 4%. Given that the company generated greater free cash flow year over year in the first quarter, I'm not ruling out another dividend hike.

These factors, coupled with rumors of **BHP Billiton** eyeing PotashCorp yet again, should encourage investors to watch the fertilizer stock closely.

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

Matt Smith: Parex Resources (TSX: PXT)

My top stock this month is small-cap oil explorer and producer Parex Resources, which operates predominantly in Colombia. Over the last year the company's share price has spiked a massive 144%, but despite this significant gain there are a range of catalysts that will drive its share price higher.

The company is targeting significant growth in oil reserves and production through an aggressive acquisition program. This coupled with solid organic oil production growth will significantly boost Parex's financial performance.

First quarter 2014 oil production was record 18,245 barrels daily, a healthy 7% increase quarter-over-quarter and a massive 28% year-over-year. Second quarter 2014 production is expected to grow 3% to 6% compared to the first quarter, which is 19,000 to 19,500 barrels of crude daily.

With Parex's oil pricing benchmarked to Brent, any significant growth in crude production will continue to boost its financial performance and ultimately its share price.

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

Karen Thomas: Nuvista (TSX: NVA)

Nuvista is in a very attractive spot right now, experiencing accelerating netbacks along with low risk, repeatable increases in production. Nuvista's focus on natural gas (70% of production) is working for the company at this time, as natural gas prices have been strengthening and with natural gas inventory levels almost 55% lower than the five-year average, should continue to strengthen.

Nuvista is focusing on the Montney in Alberta for its superior economics and in response to the strength in natural gas liquids pricing. The economics of this area are very lucrative. Nuvista has seen average internal rates of return of over 50% in this area.

Looking ahead to 2014, the company is confident that it will achieve production per share growth of 15%, and is spending in order to expand its infrastructure to ensure that production can access the market.

The company's balance sheet is healthy, production and cash flow are growing at very strong rates, and with natural gas and natural gas liquids pricing on the rise, the future looks bright.

Fool contributor Karen Thomas owns shares of Nuvista.

Nelson Smith: Empire Company (TSX: EMP.A)

Shares in Empire Company hit a fresh 52-week low in April, selling off because of disappointment from Sobey's first-quarter results. The company is experiencing some growing pains from its $5.2 billion acquisition of **Safeway's** Canadian operations, which are temporarily keeping the stock down.

Once the company irons the kinks out, it's positioned to be a true Canadian retail powerhouse. It has already flexed its might with suppliers, stating any prices increases for 2014 wouldn't be accepted. Even though Sobeys is a true national competitor to **Loblaw,** it currently trades at a significant discount to its peer. Shares should perform well once results get a little better and investors start warming up to the name.

Fool contributor Nelson Smith does not own shares in Empire Company.

Justin K. Lacey: DIRTT Environmental Solutions (TSX: DRT)

My top stock pick for May is DIRTT Environmental Solutions, a manufacturer of fully customizable interiors for various industries, including corporate, government, education and healthcare.

The key to DIRTT is its proprietary 3D technology software, "ICE", which it developed to eliminate human error, reduce waste, and provide a more efficient method for designing, constructing and installing building interiors. After a lackluster start to life in the public markets, DIRTT has found its footing, and is up nearly 28% since its IPO in November 2013.

The market opportunity is significant – the U.S. non-residential construction market is estimated at approximately U.S. $570 billion. But with this small-cap stock, investors should expect a high degree of volatility as well.

Fool contributor Justin K. Lacey owns shares in DIRTT.

Matt DiLallo: Brookfield Property Partners (TSX: BPY.UN)(NYSE: BPY)

Brookfield Property Partners offers investors a compelling combination of income and value. The global real estate owner pays a very generous distribution of more than 5%. On top of that the units are selling for a discount of more than 20% below the net value of the company's real estate assets.

That combination of income and value, when combined with the company's organic growth opportunities just within its current portfolio, should yield above average long-term returns. In fact, Brookfield Property Partners is confident that it can organically grow its value by 20% annually through 2018.

Add the company's long history of accretive acquisitions and Brookfield Property Partners is the one Canadian real estate company to buy.

Fool contributor Matt DiLallo owns shares of Brookfield Property Partners.

Michael Ugulini: Peyto Exploration & Development (TSX: PEY)

Peyto Exploration and Development engages in the exploration and development of high-quality gas properties. It is a producer of unconventional natural gas in the Deep Basin of Alberta.

I've held shares in Peyto for almost 10 years now. As an income investor I like the regular monthly dividends. In mid-April, Peyto confirmed dividends for 2Q 2014 of 8 cents per common share for the record dates of April 30, May 31, and June 30, 2014.

Regarding its assets in its geographically focused core areas, 97% are processed by the company and 99% are operated by Peyto. The company has a 97% interest in nine processing facilities. It has 425,000 net acres and 900-plus producing zones in these core areas.

Fool contributor Michael Ugulini owns shares of Peyto Exploration & Development.

CATEGORY

1. Investing
2. Top TSX Stocks

TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:NVA (NuVista Energy Ltd.)
3. TSX:PEY (Peyto Exploration & Development Corp)

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