2 High Fliers to Buy, and 1 to Avoid

Description

The three companies listed below all have one thing in common: they make you wish you owned a time machine. After all, these stocks have enjoyed extraordinary gains in recent times.

But that does not mean their share prices will continue to increase. In fact, it could mean quite the opposite. Below we take a closer look at two I think are a buy right now, and one I'd avoid.

Buy: Canadian Natural Resources

The past year has been very good to shareholders of **Canadian Natural Resources** (TSX: CNQ)(NYSE: CNQ), as the energy giant's stock has returned a staggering 52% over the past 12 months. Over this time, seemingly everything has gone right for CNRL — energy prices have rebounded as transportation bottlenecks have eased, and the company has been able to pick up some cheap assets too.

Yet the best may still be ahead. If any of the major pipelines on the table are approved, then the bottlenecks could ease further. CNRL is also continuing to efficiently grow production. And perhaps most importantly, the shares are still very reasonably priced, trading at just a 5% premium to the net asset value of its reserves (after tax, using a 10% discount rate).

Buy: Manulife

Two years ago, **Manulife Financial** (TSX: MFC)(NYSE: MFC) shares were not very popular. The company had erred badly leading up to the financial crisis, and as a result found itself short of capital. Even after the crisis was over, the company continued to struggle in a low interest rate environment. From an all-time high above $40 in late 2007, the shares were trading below $11 at this time in 2012.

Since then, the shares have doubled, trading at about $22. And like CNRL, the best may still be yet to come. Manulife is aiming for significant earnings growth in the medium term, and is trading at a lower multiple than its peers, despite being better capitalized. If the company is able to keep its momentum going, then it's not too late to buy the shares.

Avoid: Valeant

Shares of **Valeant Pharmaceuticals** (TSX: VRX)(NYSE: VRX) have done far better than even the two stocks listed above. Over the past five years, the stock is up an astounding 800%. So is there still room to run?

This question is not an easy one to answer, because Valeant is a very difficult company to figure out. Transparency is not its strong suit, and many of the financial numbers it reports are not based on accepting accounting conventions. Its strategy of growing through acquisition also makes the future very difficult to predict. And some high profile investors are betting against the company.

So while Valeant could continue to soar, this stock is a real gamble. And that is not something we would ever endorse. You may be better off staying on the sidelines.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:MFC (Manulife Financial Corporation)
4. TSX:BHC (Bausch Health Companies Inc.)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:MFC (Manulife Financial Corporation)

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