



## Top Stock Picks for May

### Description

We asked our best analysts to share their favourite stocks this month. Here are their picks.

#### **Robert Baillieul: Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#))**

I was asked to give my top stock pick for the next month. But instead, I'm going to give you my favourite company for the next century.

**Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#))** is your ultimate forever stock. Its network of track spans thousands of miles across the continent. Even if you and I could scrape together a few billion bucks, there's no way we could secure the right-of-ways needed to compete against this company.

Because there are few rivals, CN Rail is gushing cash. In the past year alone, CN has paid out over \$1.5 billion to shareholders in combined dividends and buybacks. I expect that tradition to continue for many decades to come.

*Fool contributor Robert Baillieul has no position in any stocks mentioned.*

#### **Jacob Donnelly: Cineplex Inc. ([TSX:CGX](#))**

**Cineplex Inc. ([TSX:CGX](#))** is not the kind of company one might expect to see as my top stock for May, but I actually think it has a lot of potential to dominate over the coming months and years. While it continues to generate money from its movie theaters today, it recognizes that this strategy won't last for the long term, especially with people wanting to watch movies at home.

Because of this, it is aggressively diversifying its business, with new rec-room locations and digital media. Year over year, its digital media revenue rose 40.8%. It is opening 10-15 Rec Room destinations over the next few years, which will give it more multi-purpose revenue.

Finally, it pays a 3% dividend, so you'll be able to get a nice paycheck while the company continues its plan to diversify. I am definitely a fan of this company.

*Fool contributor Jacob Donnelly does not own shares of Cineplex Inc.*

**Matt Smith: Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#))**

**Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#))** gives you a stake in a range of globally diverse infrastructure assets including rail links, toll roads, ports and energy utilities.

With these assets being important enablers of modern economic activity, demand for their use remains relatively stable. In fact, as economies and populations grow, the utilization of infrastructure assets increases, virtually guaranteeing that Brookfield Infrastructure Partners' earnings will grow.

This has allowed it to reward patient investors with a steadily growing dividend that has been hiked for the last six years straight to give a juicy 5% yield. This has also been a key driver of the impressive growth in its share price since being spun off from Brookfield Asset Management Inc. and I expect this solid growth to continue.

*Fool contributor Matt Smith has no position in any stocks mentioned.*

**Nelson Smith: Dundee Corp ([TSX:DC.A](#))**

**Dundee Corporation ([TSX:DC.A](#))** is one of the cheapest stocks in Canada, at least from a price-to-book value perspective.

The company has its fingers in everything from real estate to managing money, with an emphasis on the beaten-up energy and precious metal sectors. Because of that and getting kicked out of the TSX Composite Index, shares are trading at less than half of book value.

If shares return to 0.8 times book value (which is the average of the past five years), investors are looking at a 60% return. Considering the experienced management team and the company's history of growing great assets and spinning them off via IPOs, I like the company's chances.

*Fool contributor Nelson Smith owns shares of Dundee Corp.*

**Karen Thomas: Western Forest Products ([TSX:WFE](#))**

Looking at **Western Forest Products' ([TSX:WEF](#))** financials over the last 5 years, we can see a picture of a very effectively managed company that has grown its revenue, improved margins and generated strong cash flows, even though the lumber market has been tough to say the least. But now the company is facing an improving outlook, with improving demand and supply constraints in selected markets. And the stock is attractively valued, with a 4.4% dividend yield. To top it off, the decline in the Canadian dollar is beneficial to the company, as \$US revenue accounts for 48% of total revenue.

*Motley Fool Contributor Karen Thomas owns shares of Western Forest Products.*

**Joseph Solitro: AutoCanada Inc. ([TSX: ACQ](#))**

**AutoCanada Inc. ([TSX: ACQ](#))** is one of Canada's largest automobile dealership groups, and it has been experiencing very high growth over the last few years. In fiscal 2014, the company's adjusted earnings per share increased 23.1% to \$2.24 and its revenue increased 57.2% to \$2.21 billion, as its total dealership count grew to 48.

At today's levels, AutoCanada's stock trades at just 17.9 times fiscal 2014's adjusted earnings per share of \$2.24, which is very inexpensive compared to the industry average multiple of 22.2.

In addition, AutoCanada pays a quarterly dividend of \$0.25 per share, or \$1.00 per share annually, giving its stock a 2.5% yield at current levels. The company has also increased its dividend 15 times in the last 16 quarters, making it one of the top dividend growth plays in the market today.

I think AutoCanada's stock will widely outperform the overall market over the next several years, so Foolish investors should strongly consider establishing positions today.

*Fool contributor Joseph Solitro has no position in any of the stocks mentioned.*

**Matt DiLallo: Precision Drilling Corp ([TSX:PD](#))([NYSE:PDS](#))**

It has been a truly awful market for oil-field service companies like Precision Drilling. In fact, CEO Kevin Neveu said that demand for land drilling services in North America "failed to meet even the most pessimistic forecasts." That was on full display when the company reported its first quarter results earlier this week. Revenue was down 24% year-over-year while earnings plunged 76%.

However, as bad as those numbers seem, neither was quite as awful as analysts were expecting as the company was able to cut its costs 21%. Further, the company did maintain its current dividend level suggesting that it's not too worried about its ability to keep up the payout. In addition to that, there are signs that the worst of the downturn is over and that the oil market is putting in a bottom.

While there are no guarantees that the oil market is about to turn, this does look like a compelling time to buy Precision. It has done a good job maneuvering through the downturn and it looks well positioned to excel once drilling activity picks back up, which would likely fuel a rally in the stock price.

*Fool contributor Matt DiLallo has no position in any of the stocks mentioned.*

**Kay Ng: Canadian Western Bank ([TSX:CWB](#))**

**Canadian Western Bank ([TSX:CWB](#))** offers business and personal banking services across the four western provinces. It has 41 banking branches, a centralized equipment leasing office, eight trust locations, two insurance call centres, an internet banking division, and two wealth management offices.

Mainly due to the oil price plunge, the company has dropped 28% from its 52-week high to around \$31. Its five-year history indicates it should trade around a price-to-earnings ratio of 13.7, while it's trading around a multiple of 11.3 today. So, it is priced at a discount today.

Canadian Western has increased its dividend every year for the past 23 years. It has a payout ratio of

28%, and a yield of roughly 2.7%. The bank forecasts earnings growth between 5-8% in 2015 compared to 2014's growth of 15%. Believing the lower earnings growth to be a temporary effect, at present levels, it would be an opportunity to get your hands on its shares for long-term capital gains and a nice yield.

*Fool contributor Kay Ng owns shares of Canadian Western Bank.*

### **Doug Watt: Loblaw Companies Limited ([TSX:L](#))**

**Loblaw Companies Limited ([TSX:L](#))** has been aggressively expanding its grocery store footprint since it purchased Shopper's Drug Mart for \$12.4 billion two years ago.

In March, Canada's largest grocery store owner announced plans to open 50 new stores and renovate as many as 100 others. The store additions and renovations will cost \$1.2 billion but will create as many as 5,000 new jobs at Loblaw and its other independently-owned stores.

Loblaw pays a quarterly dividend of \$0.25, with a dividend yield of 1.5%. The grocer has raised its dividend for three straight years and will likely continue to do so in the future, as it regularly generates free cash flow.

*Fool contributor Doug Watt has no position in Loblaw.*

### **CATEGORY**

1. Investing
2. Top TSX Stocks

### **TICKERS GLOBAL**

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:PDS (Precision Drilling Corporation)
4. TSX:ACQ (AutoCanada Inc.)
5. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
6. TSX:CGX (Cineplex Inc.)
7. TSX:CNR (Canadian National Railway Company)
8. TSX:CWB (Canadian Western Bank)
9. TSX:DC.A (Dundee Corporation)
10. TSX:L (Loblaw Companies Limited)
11. TSX:PD (Precision Drilling Corporation)

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