



Top Stocks for August

Description

We asked our top contributors for their favourite stock picks for August. Here's what they chose.

Ryan Vanzo: Air Canada ([TSX:AC](#))([TSX:AC.B](#))

In late May, **Air Canada ([TSX:AC](#))([TSX:AC.B](#))** announced it would opt out of its government pension deal. By doing so, the company is now free to distribute dividends and implement a share buyback program. It will also save loads of cash — roughly \$110 million this year and \$200 million next year.

Following its opt-out announcement, Air Canada disclosed that it would buy back 10 million shares, roughly 3.5% of the current share count. The company also still plans to continue reducing debt levels by about \$600 million per year over the next several years. Plus, if Air Canada meets its expected earnings for 2015, today's price would be only 3.6 times the next 12 months' earnings versus 8.2 times for the average airline. This valuation gap should close.

Fool contributor Ryan Vanzo has no position in Air Canada.

Nelson Smith: Canadian Tire Corporation Limited ([TSX:CTC.A](#))

There's a lot to like about **Canadian Tire Corporation Limited ([TSX:CTC.A](#))**.

The namesake stores are performing well, but the real growth is coming from specialty brands Mark's Work Warehouse and Sport Chek. Customers at those stores aren't as price sensitive, which bodes well for the bottom line.

The company's financial services division continues to grow nicely, the balance sheet is in fine shape, and shares trade at less than 15 times projected 2016's earnings. It isn't often investors get a chance to own a great operator like Canadian Tire at a discount price.

Fool contributor Nelson Smith has no position in Canadian Tire.

Demetris Afxentiou: Shopify Inc. (TSX:SH)([NYSE:SHOP](#))

Shopify Inc. (TSX:SH)([NYSE:SHOP](#)) is a cloud-based multichannel commerce platform that allows customers to setup their online storefronts in a fraction of the time that would normally be required. The platform is fairly scalable, offering integration points with **Facebook**, Pinterest, and **Apple** Watch, among other platforms.

Shopify provided a first quarterly update since the initial public offering, and has beat all analyst estimates. Revenues were up nearly 90% over the prior year to \$44.9 million, topping the expected \$37 million. The number of merchants using the platform has now surpassed 175,000.

The stock is up over 50% since going public, and with the latest results topping expectations, the potential upside is only just beginning to materialize. While the stock is still firmly in the lock-up period, there is near unlimited potential for this company, particularly considering the integration points. Any dip in price the lock-up period expiring will be negligible in comparison to the lucrative potential this company offers over the long run.

Fool contributor Demetris Afxentiou has no position in any of the companies mentioned. [David Gardner](#) owns shares of Apple and Facebook. [Tom Gardner](#) owns shares of Facebook. The Motley Fool owns shares of Apple and Facebook.

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

Canadian Western Bank ([TSX:CWB](#)) remains my top idea for the fourth month in a row.

The regional bank offers one of the best value and dividend ideas on the market today. As long as the oil price remains low, I suspect Canadian Western Bank shares will go lower or sideways. After all, it has 42% of its loans in Alberta, and the oil price plummet has caused fear. However, only 2% of Canadian Western's loans are directly related to oil and gas production.

Canadian Western's fundamentals remain strong. For this year, by the second quarter, the bank managed to increase earnings per share by 4%. Assuming 5% earnings growth, multiple expansion to 13.5 would yield an impressive rate of return of 93% by the end of 2018. And if the shares get back to a multiple of 15, that would be a rate of return of 113%.

Meanwhile, you get a 3.5% yield to wait. The bank has a long track record of increasing dividends — 23 years in a row to be exact. It raised it last in June, and it equated to an annualized increase of 10%, triple the rate of inflation.

Fool contributor Kay Ng owns shares of Canadian Western Bank.

Andrew Walker: Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#))

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is often overlooked in favour of its larger peers but that might begin to change.

At a time when the Canadian economy is heading into a rough patch, Canada's oldest bank offers investors a balanced revenue stream through its international operations.

Its 600 branches in the U.S. midwest are delivering solid results and the USD:CAD exchange rate of \$1.30 will help offset some of the weakness in Canada.

The stock is trading at just 10.4 times future earnings and 1.4 times book value, which means investors can now pick up the shares at an attractive price. BMO also has a very safe 4.4% dividend yield.

Fool contributor Andrew Walker has no position in Bank of Montreal.

Matt Smith: Atlantic Power Corp. (TSX:ATP)(NYSE:AT)

Electric utility **Atlantic Power Corp.** (TSX:ATP)(NYSE:AT) has earned the market's ire and deservedly so. Not only does it have a dangerously over-leveraged balance sheet, but it has slashed its dividend twice since the start of 2013. There are also concerns that it has no meaningful tailwinds to boost its financial performance and stimulate a recovery.

However, with the stock down by 32% over the last year along with signs that its turnaround plan is gaining traction, I believe it is attractively priced.

With the majority of its portfolio comprised of clean energy sources, it isn't exposed to the headwinds affecting electric utilities predominantly using coal-fired plants. Just like all electric utilities, it possesses a wide economic moat and benefits from the unchanging demand for electricity. It has also completed assets sales that raised \$350 million to repay debt, helping to shore up its balance sheet.

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

CATEGORY

1. Investing
2. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:AC (Air Canada)
4. TSX:BMO (Bank Of Montreal)
5. TSX:CTC.A (Canadian Tire Corporation, Limited)
6. TSX:CWB (Canadian Western Bank)

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