3 TSX Stocks to Buy for the Price of 1

Description

Spotify Technology S.A. (NYSE:SPOT) avoided the whole dog-and-pony IPO underwriting show this week, opting to go with a direct listing instead.

The music streaming service's stock opened at $165.90 on April 3, well ahead of the $132 reference point set by the New York Stock Exchange, ultimately closing at $149.01 and a valuation of $26.5 billion.

That's a mighty big price to pay for a company with €4.1 billion revenue and a pretax loss of €1.2 billion.

Just how big a price? You can buy all three of these TSX stocks for the price of one.

Metro, Inc. (TSX:MRU)

The Montreal-based grocery store chain has a market cap of $9.2 billion.

It made news in 2017 for two reasons.

First, it finally made the deal everyone was expecting by acquiring **Jean Coutu Group PJC Inc.** for $4.5 billion and making it more competitive with **Loblaw Companies Ltd.**, which has Shoppers Drug Mart.

Second, to pay for Jean Coutu, it had to give up most of the remaining shares it had long owned in **Alimentation Couche-Tard**, Canada's largest convenience store operator. Although it was an excellent investment for the company, it was time to move on.

Although I like both of its largest competitors, I named Metro the grocery stock to own in 2018. **Empire Company Limited** is doing better than Metro through the first three months of the year, but I see this going down to the wire, perhaps to the very end of December.

CAE Inc. (TSX:CAE)(NYSE:CAE)

The Montreal-based maker of flight simulators has a market cap of $6.5 billion. I have to be honest: I picked CAE in part because its lower market cap helps this trio of TSX stocks fit under Spotify's $26.5 billion valuation.

Nonetheless, it is an excellent company trading at or near its 52-week high of $24.68. Although its dividend yield of 1.4% is nothing to write home about, you really should be concerned about dividend growth. It's increased its annual dividend for eight consecutive years.

As for the business itself, CAE received a billion dollars' worth of orders in the third quarter ended December 31, 2017. It finished Q3 2018 with a backlog of $3.8 billion in its Civil Aviation Training Solutions division, which accounts for 59% of its overall revenue.

As this division goes, so goes CAE. And one more thing: CAE hasn't had a down year since 2011, averaging an annual total return of 21% over the past five years.

Onex Corporation (TSX:ONEX)

Here's an interesting fact about the Toronto-based private equity firm with a market cap of $9.3 billion.

Only one company went public in the first three months of 2018 on the TSX; it was Pinnacle Renewable Holdings Inc., a manufacturer of industrial wood pellets used as renewable fuel for power companies, and one of Onex's private-equity investments.

Onex closed the Pinnacle offering on February 6 at $11.25 a share. Pinnacle sold 6.2 million shares for gross proceeds of $70 million, while some of the original owners of the company sold 7.1 million shares for gross proceeds of $80 million. Onex's ONCAP investment funds sold no shares and still own 43% of the company.

In February, I'd highlighted the three reasons to own Onex stock, despite the fact it's been underperforming of late.

Gerry Schwartz has built an excellent business that knows how to recycle capital as well as raise new funds — in November 2017, Onex closed Onex Partners V, a humongous US$7.2 billion raise, including US$2 billion of its own capital — and that's the name of the game in private equity.

If you want a stock that's currently punching below its weight but is ready to step up in class, Onex is it.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)
2. NYSE:SPOT (Spotify)
3. TSX:CAE (CAE Inc.)
4. TSX:L (Loblaw Companies Limited)
5. TSX:MRU (Metro Inc.)
6. TSX:ONEX (Onex Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/14
Date Created
2018/04/07
Author
washworth