Here Are My 3 Best Buys for Sturdy Balance Sheets

Description

While a stock’s balance sheet is not always something that a casual investor will look at, the fact is that there is some essential information to be found there about the company that you are investing in.

From the level of comparative debt that a company holds, to its liabilities and physical assets, what a balance sheet tells you – or, as the case may be, does not tell you – can be key.

Below you will find three stocks with healthy balance sheets. Any one of them would be good additions to your portfolio if you are looking to hold on to some sturdy stocks for the long term, though be sure to select according to your investment style.

Check out valuation, dividends, and the forecast growth in earnings.

Now read on to see which big name stocks on the **S&P/TSX Composite Index** have the sturdiest balance sheets.

Magna International (TSX:MG)(NYSE:MGA)

Probably the best auto stock on the TSX index at the moment thanks to its exposure to the Asian electric vehicle market, Magna International is a high quality pick. A 5.8% expected annual growth in earnings over the next 1-3 years, return on equity of 21% last year, and dividend yield of 1.81% suggests that reinvestment of wealth is the main focus for Magna International at the moment as it focuses on expansion.

With a low debt level of 37.4% of net worth, it’s one of Canada’s healthiest stocks. Similar tickers include **Honeywell International** and **Siemens** if you want to compare.

West Fraser Timber (TSX:WFT)

There are no prizes for guessing which industry this ticker represents. A 7.2% expected shrinkage of earnings over the next 1 to 3 years counts West Fraser Timber out as a growth stock, though a return on equity of 29% last year and a dividend yield of 1.03% suggest that reinvestment is key.

Combine this management style with a low debt level of 22% of net worth and you have a sturdy pick. Look at competitors such as **Norbord** or **Stella-Jones** if you want to compare and contrast.

Kirkland Lake Gold (TSX:KL)(NYSE:KL)

This gold properties explorer and developer is signalling an 11% expected annual growth in earnings over the next 1 to 3 years. With a ROE of 18% last year and low dividend yield of 0.4%, reinvestment is clearly this company's focus, and may go some way to explain why it's such a sturdy stock.

A very low debt level of 2.5% of net worth is a highlight here. If you want to compare stocks, take a look at competitors such as **Teck Resources** and **Barrick Gold**, though you may find that these have similarly sturdy balance sheets as well.

The bottom line

The fighting fit stocks listed above would make great additions to your investment portfolio. Did you see Kirkland Lake Gold's low debt and near lack of a dividend? These aspects seem to crop up again and again in the healthier stocks on the TSX.

If you are looking for a strong buy based on assets, consider the dividend on offer by Magna International; this attribute makes for a great pick if you are looking for low-risk dividends.

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TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)
3. TSX:WFG (West Fraser Timber Co. Ltd.)

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