3 Top Stocks to Buy in December

Description

December is an interesting time of year for investors.

It's tax-loss selling season, a time when we all go through our portfolios and punt the losers in an attempt to offset taxes owing from successful investments. Although with the **TSX Composite** firmly in the red thus far in 2018, stocks that are up for the year are few and far between.

Cheap stocks become even cheaper as investors use tax-loss selling as an excuse to give up on their worst performers, making it a great time for long-term value investors to buy.

Many of these stocks are poised to deliver nice gains in 2019. Often, these stocks bounce back simply because pessimism is too high. They revert back to the mean. Others are in the midst of turnaround plans, while some are down because investors are nervous about the market in general.

Here are three great beaten-up stocks to buy in December, names that are poised to bounce back nicely in 2019.

Cineplex

Cineplex Inc. (TSX:CGX) released earnings on November 14. Despite solid underlying numbers and increases in both tickets sold and concession revenues, shares of Canada's largest movie theater chain fell some 20%.

Simply put, investors are nervous about movies in an era where streaming video gets all the attention. Why go to the movies, the refrain goes, when you have access to thousands of choices at your fingertips?

This argument has plagued the movie theater business for generations. Television was supposed to kill the theater. Cable TV was going to irrefutably damage the business. Now it's streaming video. This too shall pass.

In the meantime, investors have an opportunity to pick up shares in a company with an 80% movie screen market share. Its SCENE program is one of Canada's largest loyalty programs with some eight million members. And the company is rapidly expanding into other parts of the entertainment market, opening up new Rec Room and Topgolf locations.

Investors are getting all of this for approximately 10 times adjusted free cash flow, which is the cheapest the stock has been for years. It's a great time to buy.

Boston Pizza

Boston Pizza Revenue Royalties Income Fund (TSX:BPF.UN), like many other Canadian restaurant stocks, is being hit by increased minimum wages in two of its most important markets. Ontario's minimum wage has recently increased to $14, while Alberta's workers are guaranteed at least $15 per hour.

Tepid same-store sales aren't helping, either. While total sales are up nearly 2% on the year, this is all because of new locations opening. Restaurants that have been open at least a year saw sales creep up ever so slightly, increasing a mere 0.2%. It's hard to get excited about that.

Still, BPs has a lot going for it. The company does more than $1 billion in business each year and is Canada's largest fast casual chain. Shares trade at a very reasonable valuation too; at just 11 times forward earnings. The company also pays investors a fantastic 8.7% dividend, a payout that is covered by earnings.

Royal Bank

For the first time in recent memory, Canada's banks look poised to end 2018 in the red. **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is down close to 8% thus far this year, despite the bank posting good results. Thus far in 2018, net income has increased from $8.6 billion to $9.2 billion, all while maintaining a solid balance sheet. Loan losses are well below historical norms and the Canadian housing market continues to avoid the meltdown so many people are predicting.

Royal Bank's dividend is one of the best in Canada, both from a current yield and a long-term growth perspective. Shares currently pay out a 4% yield while offering 7% annual growth over the last decade. There's nothing wrong with that combination.

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1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:CGX (Cineplex Inc.)
3. TSX:RY (Royal Bank of Canada)

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