Top Stocks for December – Part 2

Description

You can find part 1 of this month's Top Stocks article here.

Ambrose O'Callaghan: Kinaxis Inc.

My top stock for December is **Kinaxis** (TSX:KXS). Kinaxis was my top pick in June. The stock had a strong summer and rose to all-time highs in August. I like it even more at this stage.

Kinaxis stock has been hammered since releasing its third-quarter results in early November. Its full-year subscription revenue growth took a hit in the third quarter due to some deals failing to close as early as expected. This setback resulted in the company adjusted its revenue guidance while maintaining its strong EBITDA outlook.

Kinaxis stock gave off some strong oversold signals throughout November as its RSI fell below 30 for much of the month. Shares are still hovering around 52-week lows heading into December even with the long-term outlook for Kinaxis looking bright.

Fool contributor Ambrose O'Callaghan has no position in any stocks mentioned.

Kay Ng: Toronto-Dominion Bank

Big Canadian banks have been solid long-term investments. In particular, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) has maintained returns on equity (ROE) of more than 13% since 2011. Even during the last financial crisis, its ROE was still over 9%.

TD Bank stock's roughly 11% correction from its recent high to about $71 puts the stock at a modest discount from its normal valuation. So, now's a good time for conservative investors to buy shares on the dip in the quality bank for a yield of close to 4%!

The analysts from **Thomson Reuters** has a 12-month mean target of $85.30 per share on the stock, which implies there's 20% near-term upside potential.

Fool contributor Kay Ng owns shares of TD Bank.

Andrew Button: MTY Food Group Inc

My top stock pick for December is **MTY Food Group** (TSX:MTY). MTY operates many of Canada's most popular fast food chains, including *Big Smoke Burger, Mr. Sub* and *Thai Express*. The company is also expanding aggressively into the U.S., with acquisitions like *Cold Stone Creamery*.

Why am I recommending MTY?

First, it's a fast-growing enterprise that grew its revenue by 27% and diluted EPS by 59% in Q3.

Second, it's ultra-profitable, with a 32% profit margin and 20% ROE in recent months.

Third, it offers dividend income. Granted, the yield is very low at 0.8%, but with a payout ratio of just 12.5%, there's plenty of room for it to grow.

Fool contributor Andrew Button does not own shares in MTY Food Group Inc.

Matt Smith: Storm Resources Ltd.

Natural gas has surged by around 47% over the last year, which will be a powerful tailwind for natural gas producer **Storm Resources** (TSX:SRX). It is focused on the booming Montney formation and has reserves totaling 106 million barrels of oil equivalent which is weighted to natural gas. Production is expanding at a rapid clip, rising by 35% year over year for the third quarter 2018 to 20,455 barrels daily.

Notably, 10% of Storm's production is comprised of high-value condensate which sells at a premium to Canadian light oil because of its role as a crucial diluent used to make bitumen flow.

Storm is generating a decent margin per barrel and production as well as profitability should grow at a solid clip because it is focused on improving well quality, reducing costs and drilling condensate rich targets.

The cyclical low for natural gas appears over and Storm is nicely positioned to unlock value for investors.

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

Karen Thomas: Metro Inc.

With an $11 billion market capitalization and a 1.6% dividend yield, **Metro** (TSX:MRU) has been and will likely remain a story of consistency, stability, and shareholder wealth creation.

The stock has rallied 12% year-to-date, defying market weakness, and shining bright in a sea of red.

And this makes total sense, as continued strong results and dividend increases have been typical of the company.

Metro's P/E multiple is approximately 17 times and has room to rise, as the company's future looks good and it remains a defensive pick that should be relatively unaffected by rising rates and potential consumer weakness.

Fool contributor Karen Thomas does not own shares of Metro Inc.

Jason Phillips: Gluskin Sheff + Associates Inc

My top pick for the month of December is **Gluskin Sheff + Associates** (TSX:GS).

In a lot of ways, Gluskin Sheff is in the same vein as my top pick for November, **CI Financial Corp**.

Like CI, Gluskin Sheff is another leading Canadian asset manager that has fallen out of favour with investors as of late.

That's because Gluskin Sheff is one of several global asset management firms that have been struggling to find value for clients amidst the current bull market.

Yet if you believe in mean reversion, this might be the right play for a contrarian investor.

Meanwhile the shares' current 9.42% dividend yield is certainly nothing to sneeze at either.

Fool contributor Jason Phillips has no position in shares of Gluskin Sheff + Associates Inc.

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POST TAG

1. Editor's Choice

TICKERS GLOBAL

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2. TSX:KXS (Kinaxis Inc.)
3. TSX:MRU (Metro Inc.)
4. TSX:MTY (MTY Food Group)

5. TSX:TD (The Toronto-Dominion Bank)

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