Fit Tickers: 3 Big Name Canadian Stocks With Healthy Balance Sheets

Description

Looking through some areas of the TSX index can be a daunting task if it’s a healthy balance sheet that you’re after. Energy, tech, REITs and more – every industry has a few big-name tickers with benighted health stats. One of the first things a low-risk portfolio owner learns to do when they start out investing in the stock market is how to sidestep these red flag stocks and find healthy tickers just right for a long-term play.

Here are three stocks representative of their industries, each with healthy balance sheets, as well as a few reasons why you may want to buy – and why you might want to buy *now*. Two miners and one forest products stock make the grade, so let’s see which of them belongs in your shopping basket.

Teck Resources (TSX:TECK.B)(NYSE:TECK)

One of the hard core of established Canadian miners that need no introduction, this explorer, developer, and producer on the metals and mining scene comes with some ready geographical diversification. Teck Resources had a good 12 months, with a one-year past earnings growth of 43.3% that improved on a five-year average of 33.7%.

With an acceptable level of debt at 23.3% of net worth and more inside buying than selling in the last three months, this stock is healthy and popular. It’s also one of the best valued metals and mining stocks trading on the TSX index, with a low P/E of 4.9 times earnings and perfect P/B of 0.8 times book. A dividend yield of 1.02% is on offer, which should interest those looking for a small bit of passive income, though an expected drop of -11.9% in annual earnings may be of concern to even the casual growth investor.

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

This is one of those stocks that does pretty much what it says on the tin; it’s a favourite among gold investors. It had an even better 12 months than Teck Resources, with a one-year past earnings growth of 110.2% that smashed its own impressive five-year average growth of 69.7%. A very low debt level of 2.2% of net worth makes for a hale and hardy stock worthy of a long-term position.

In terms of value, however, better can be had on the TSX index. A P/E of 25.8 times earnings can be accepted in this instance, with a 15.9% expected annual growth in earnings; however, a P/B ratio of 4.8 times book shows a bloated per-asset valuation. A small dividend yield of 0.42% may make up for this, though the capital gains and value investor alike may wish to look elsewhere.

West Fraser Timber (TSX:WFT)

Are Canadian investors having a WFT moment? They should be: this forest products company is at the cutting edge of the lumber industry, and it's got some solid stats at the moment. A one-year past earnings growth of 111.1% outperforms the industry, which is better than its own five-year average of 27.4%.

In terms of health, a debt level of 22% of net worth is indicative of a fighting fit balance sheet, while valuation is good with a low P/E of 5.3 times earnings and passable P/B of 1.6 times book. A dividend yield of 1.16% may have passive income investors interested, though an estimated -27.5% expected drop in earnings may deter in less equal measure.

The bottom line

Are any of these healthy balance sheets a strong enough case for a sale? It would appear that more than a few Canadian stocks are looking at a tough time ahead if growth in earnings (or otherwise) is anything to go by. West Fraser Timber's low P/E in particular looks like a red flag rather than an indicator of a strong value opportunity at the moment.

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TICKERS GLOBAL

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2. TSX:TECK.B (Teck Resources Limited)
3. TSX:WFG (West Fraser Timber Co. Ltd.)

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