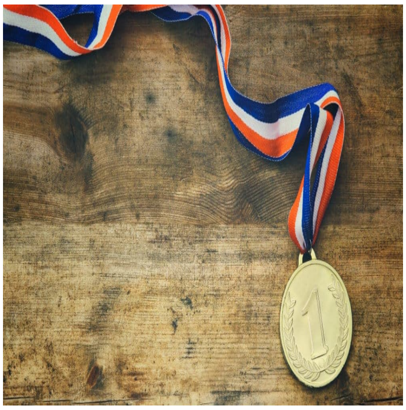

2 Canadian Behemoths, 1 Winning Stock: Which Is a Buy for New TSX Investors?

Description

When trawling through the TSX index for shares to stack in your personal investment portfolio, it's tempting to stick to names and brands you are already familiar with. But sometimes it's not that easy. The following two stocks may not be instantly recognizable to new investors, but both represent brands that pretty much everybody either knows of or has direct experience with. Let's dig into the data and see which is the stronger buy.

Finning International (TSX:FTT)

You may not have heard of Finning International as a new or young investor, but you've surely come across **Caterpillar**, the brand that this stock is famous for. With a one-year past earnings growth of 52.8% that outperforms the market, Finning International is strong play if you favour track records as signifiers of a stock to buy and hold. With more shares bought than sold through inside buying in the last three months, you'd be in good company if you went for this one.

In terms of value, you can do better from a TSX index stock, but the ratios aren't bad: a P/E of 17 times earnings is good enough, and while a P/B of two times book shows that you'd be paying double the per-asset valuation, it's also not that bad. A dividend yield of 3.21% shows that this could also be a strong buy for a TFSA or RRSP.

In terms of quality, an ROE of 12% over the past 12 months matches a positive but not outstanding last-quarter EPS of $1.46. A 4.5% expected annual growth in earnings isn't terribly significant, while a comparative debt level of 72.8% of net worth signals a so-so balance sheet; in summary, this stock is okay, but not anything special.

The TSX index has some great momentum stocks, with everything from legal weed to miners competing for a capital gains portfolio. Having gained 4.3% in the last five days, and with a beta of 1.85 indicating fairly high volatility, Finning International could almost qualify. However, despite its share price is overvalued by twice its future cash flow value, the trend has been generally downwards since the middle of last year.

BCE (TSX:BCE)(NYSE:BCE)

Up 1.06%, BCE's trend is hard to keep track of with all those peaks and troughs, and this largely counts it out as a casual capital gains play, unless you have the time to watch its share price like a hawk. Instead, BCE offers a dividend yield of 5.3% and would be a potential pick for a TFSA or RRSP — if it weren't for some dodgy stats, that is.

A one-year past earnings growth of -3.9% shows how sluggish 2018 was for BCE; however, a five-year average past earnings growth of 7% shows that the last half a decade hasn't been significantly positive, either. With a so-so balance sheet indicated by a debt level of 115.7% of net worth, insiders have sold more shares than bought them in the last three months, which is something of a red flag when it comes to overall confidence.

The bottom line

In terms of value, you could do better than BCE: While a P/E of 18.6 times earnings isn't too bad, a P/B of three times book is a little bloated. A 7% expected annual growth in earnings is positive but certainly does not mark this stock as high growth in relation to the TSX index as a whole. All told, though BCE does have the higher dividend yield and slightly better outlook, Finning International looks like the stronger stock to buy now.

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