Attention Investors: 2 Soaring Stocks to Watch in 2019

Description

The broad-based recovery in the equity market has lifted the values of many investor portfolios, and while some stocks are slowly clawing back their losses, others are surging with a vengeance.

Let's take a look at two companies that have increased 30-50% to start 2019 and see if more upside could be on the way.

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TransAlta (TSX:TA)(NYSE:TAC)

TransAlta isn't on the radar of most investors. The Alberta-based company owns power-generation facilities, including coal-fired plants. The coal sites have been a big drag on the stock in recent years amid political pressure to shut them down. High debt and falling power prices also hurt the company in Canada and the United States, and the stock slipped from $15 per share five years ago to the 2016 low around $4.

Alberta has its challenges, but the worst should be behind TransAlta. A deal with Alberta to help fund the transition costs of switching the coal plants to natural gas is providing TransAlta with more than $37 million per year through 2030. Management has also made solid progress on debt reduction, and the company is seeing improvements in power prices in its markets.

TransAlta recently announced two new projects in Alberta, including a gas pipeline and a wind facility. Combined, they are expected to add $30-40 million in annual EBITDA when completed.

For 2019, TransAlta is targeting free cash flow of $270-330 million. Capital outlays are expected to be $170-205 million, so there should be ample cash left over to cover the dividend and continue reducing the debt load.

The stock is up 30% to start 2019, and more gains could be on the way, as investors start to figure out the sky is clearing for this company.

Canopy Growth (TSX:WEED)(NYSE:CGC)

Investors who added some Canopy Growth shares to their portfolios ahead of the holidays are now sitting on gains of at least 50%. The recovery in the cannabis sector has lifted the entire group, and while all marijuana stocks appear expensive, the current momentum suggests more upside might be in the cards.

Canopy Growth is widely viewed as the top stock in the industry. The company is the leading player in Canada's medical marijuana space and is positioned well to win a significant part of the market in Europe and South America. On the recreational side, Canopy Growth has partnered with Corona-owner **Constellation Brands**, which holds a 38% stake in Canopy Growth. Cannabis-infused drinks are expected to be a big hit when they become legal in Canada, and the company should do well when that occurs, potentially later this year.

Canopy Growth has the financial capabilities to expand production capacity and make strategic acquisitions. As the industry continues to consolidate, this should be one of the companies left standing.

Is one more attractive?

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TransAlta and Canopy Growth are enjoying nice rallies to start 2019, and both stocks appear attractive right now. At this point, TransAlta might be the better bet for more conservative investors with a contrarian investing style. The stock still looks cheap and should drift higher in the coming years. Investors could see a dividend hike in 2020.

If you are more adventurous and can handle the volatility in the cannabis sector, Canopy Growth might be an interesting pick today, even after the big run. If the marijuana industry grows as expected, this stock could become a global giant.

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