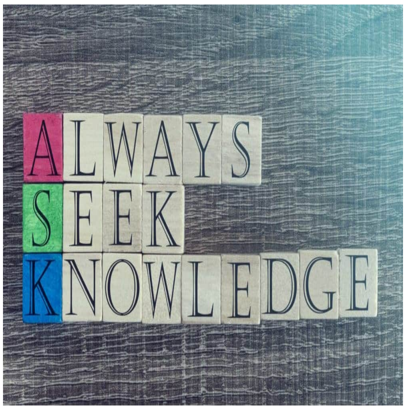

Is This the Next Generation of RRSP-Friendly Stocks?

Description

Imagine that you – as a retirement investor – had to eschew the usual rote of stock selection based on branding, market cap, and hyperbole. If you were to stick to the usual defensive sectors of the TSX index but go for less obvious stocks to pad out an RRSP, what might those stocks be?

Below you will find three suitable stocks that fit the bill, spanning the Canadian energy and mining industries, and selected either for their defensive dividend, high expected growth, or a combination of these two characteristics. Let's see which of these potentially sidelined tickers could benefit you financially further down the road.

Enerflex (TSX:EFX)

Edging out other big name oil and gas stocks on the TSX index is this healthy energy ticker that saw a one-year past earnings growth of 281%. With competitive valuation indicated by a P/E ratio of 15.5 times earnings and P/B of 1.2 times book, Enerflex carries an acceptable level of debt at 35.5% of its net worth and pays a moderate dividend yield of 2.51%.

Down 3.85% in the last five days, Enerflex feels somewhat neglected at the moment, which might suggest that last minute RRSP investors could be overlooking the solid all-rounder. However, with a 15.3% expected annual growth in earnings on the way, retirement investors looking for exposure to the energy industry may want to get invested.

Wesdome Gold Mines (TSX:WDO)

Despite being down 4.51% in the last five days, Wesdome Gold Mines is still overvalued, with a P/E of 56.1 times earnings and P/B of 4.3 times book. While this miner does not pay dividends at this stage, its ability to outperform the industry – see a one-year past earnings growth of 237.2% and five-year average of 47.3% – show that it's a good capital gains play.

Vermilion Energy (TSX:VET)(NYSE:VET)

Down 2.57% in the last five days and with a one-year past earnings loss of -186.9%, investors might look askance at the stats for Vermilion Energy. Yes, that five-year average loss of -45.2% and fairly high level of debt at 73.8% of net worth could further compound the cons of buying this stock.

However, a dividend yield of 8.86% coupled with a 115.8% expected annual growth in earnings may make you change your mind. Once Vermilion Energy has a better track record, the stock is likely to become a firm favourite of RRSP and TFSA investors. With all three components in place (a tasty dividend, growth in earnings, and a decent track record under its belt) this could become a stock to rival the largest of Canadian energy tickers.

The bottom line

While a negative five-year earnings average of -6.7% lets Enerflex down somewhat, it’s a good contender for an RRSP based on its other stats. Wesdome Gold Mines’ clean balance sheet (see a low debt level of 5.5% of net worth) and high growth (a 61.3% expected annual growth in earnings is on the way) make for a strong capital gains stock. Vermilion Energy is definitely one to watch for an improvement, but could prove to be a popular choice should it make good on its growth in earnings.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks
5. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:EFX (Enerflex Ltd.)
3. TSX:VET (Vermilion Energy Inc.)
4. TSX:WDO (Wesdome Gold Mines Ltd.)

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Date
2025/09/29
Date Created

2019/02/13
Author
vhetherington