3 Top Canadian Stocks to Get Exposure to Booming Latin America

Description

Young and rapidly growing populations, a burgeoning middle class, increasingly stable governments and stronger economies are all contributing to an immense increase in wealth in Latin America. This has triggered a series of economic booms across the region, including Colombia, Peru, Chile and Brazil — countries that only two decades ago were considered extremely risky.

This has sparked a massive expansion of foreign direct investment over the last decade, with Canadian companies attracted by abundant natural resources, low costs, high growth rates and rapidly expanding economies. It is anticipated that economic growth in Latin America will continue to accelerate, particularly if the U.S. China trade war is averted and commodity prices remain firm.

The IMF has forecast that 2019 gross domestic product for Brazil, Colombia, Chile and Peru will expand by 2%, 3.5%, 3.4% and 3.9%, respectively. Those estimates are well above the 1.5% predicted for Canada, highlighting the considerable growth opportunities for companies operating in the region.

Here are three companies that have established a solid operational presence in Latin America and are poised to grow at a solid clip.

Canada’s most international bank

Third-largest domestic lender **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) has invested significantly to establish a large operational footprint in Latin America. The bank is now ranked as a top-tier bank in the Pacific Alliance nations of Mexico, Colombia, Chile, and Peru.

As a result, its international division is responsible for generating around 40% of its net income and is the bank’s fastest-growing business. This is apparent from Scotiabank’s first-quarter 2019 — results that saw bank-wide net income decline by almost 3% year over year, while its international business grew by a stunning 26%.

That growth was driven by a strong performance from its Pacific Alliance operations, where loans grew by a healthy 44%, causing revenue to spike by an impressive 33%.

Such robust growth will continue for the foreseeable future because those countries are underbanked and experiencing a rapid expansion of wealth. This will offset any domestic weakness caused by Canada's economy and saturated mortgage market. While investors wait for Scotiabank's stock to appreciate, they will be rewarded by its sustainable dividend yielding a juicy 4.9%.

Leading retailer poised to expand

Thrift store operator **Dollarama** (TSX:DOL) engaged in a partnership with Dollar City in 2013, where, in exchange for providing merchandise, business advice and expertise, it received the option to acquire a 50.1% majority stake in Dollar City in 2020. When that agreement was formulated, Dollar City had only 15 stores in Guatemala and El Salvador. Dollar City has aggressively expanded to 169 stores; with 74 in Colombia, 43 in El Salvador and the remaining 52 in Guatemala.

Dollar City's expansion into Colombia has proven to be particularly promising; not only is the Andean nation's economy growing at a rapid clip, but Dollar City's business model is also thriving. A local combination of a distrust of online shopping and low wages, where half the population lives on the minimum wage of around $378 per month or less creates an ideal environment for thrift stores offering quality products at a discount.

If Dollarama chooses to exercise that option, it will substantially boost its growth prospects, allowing it to maintain the impressive growth trajectory investors have grown accustomed to. This is highlighted by Dollarama's 2018 results, where comparable same store sales grew by 2.7% year over year, operating income shot up by 6.5% and EBITDA surged by 7%.

That has enhanced Dollarama's solid credentials as arguably one of the top growth stocks on the **TSX**.

Leading global renewable electricity utility

Brookfield Renewable Partners (TSX:BEP.UN)(NYSE:BEP) possesses a diversified portfolio of clean energy assets with 17,400 megawatts (MW) of capacity; of which 75% is derived from hydro with the remainder from wind and solar. It has established a strong presence in Latin America, with 28% of that capacity located in Colombia, Chile and Brazil.

For the first quarter 2019, the partnership earned almost 10% of its EBITDA in Colombia and another 14% from Brazil. There is a direct correlation between economic growth and greater demand for electricity.

As the GDP of those countries expands, demand for electricity will also expand, leading to higher prices and increased earnings. Brookfield Renewable's earnings will grow as the 134 MW of assets under development are completed between now and the end of 2021, adding around US$13 million annually to funds from operations.

The partnership hiked its distribution for nine years straight, which sees it yielding a juicy 6.5%. Higher earnings supports the sustainability of the distribution and further increase, with management targeting growth of 5% to 9% annually.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/25
Date Created
2019/05/18
Author
mattdsmith