Top Canadian Stocks for 2020

Description

Demetris Afxentiou: Toronto-Dominion Bank

With 2020 and talk of a slowdown always on investors' minds, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is the one Big Bank that should be on the radar of every investor.

In terms of a dividend, TD may not offer the highest yield across its peers, but what that 4% yield lacks in payout, it more than makes up for in potential. TD has been rewarding shareholders for well over a century, and thanks to an aggressive expansion into the lucrative U.S. market in the past decade, that's unlikely to change anytime soon.

In the years following the Great Recession, TD acquired several banks along the U.S. East Coast and stitched them together under a single brand: TD Bank. Today, that branch network stretches from Maine to Florida, registering as one of the largest banks in the U.S. market.

In 2019 the bank has registered gains of just over 6%, but that's also taking into consideration the pullback we saw following the most recent quarterly result. In that quarter, profits slumped by 3% while provisions for credit losses surged: a sign that some view as an impending slowdown.

Given that recent price weakness, the stable (and growing) dividend, and a long history as a solid defensive investment, TD is a great holding for 2020.

Fool contributor Demetris Afxentiou has no position in any stocks.

Joey Frenette: Intact Financial Corp

Intact Financial (TSX:IFC) stock has been one of the hottest Canadian financial plays in 2019. And going into the new year, I think there's much more outperformance to be had from the property and casualty (P&C) insurance kingpin after its recent acquisition of The Guarantee Company.

As a value investor, I don't typically chase stocks that are continuously making new all-time highs. But with Intact, I'm willing to make an exception because of its outstanding fundamentals.

Yes, Intact stock has been hot, but it's not too hot to handle. Shares of Intact still aren't what you'd consider expensive at 17.3 times next year's expected earnings given the double-digit ROE numbers and the firm's ability to grow its bottom-line through accretive acquisitions.

Given the calibre of management (they know how to drive efficiencies like few others in the business) and the M&A opportunities, which may not be fully appreciated by investors, Intact looks to have a stellar risk/reward going into 2020.

Fool contributor Joey Frenette has no position in any of the stocks mentioned.

Ryan Vanzo: Canada Goose Holdings Inc

My top stock for 2020 is **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS). Still one of the fastest growing companies on the TSX, this stock is priced for big gains.

For years, Canada Goose was growing sales and profits at more than 40% per year. Following its IPO in 2017, shares tripled. The valuation typically exceeded 100 times earnings.

This year, the story shifted after management lowered its long-term forecast. Sales growth is now expected to be at least 20% per year, while profit growth should come in above 25% per year. Those are still impressive targets, but the reset in expectations forced shares to fall 40%.

Expectations were too *high* in 2018, but entering 2020, they're now too *low*. Shares trade at just 25 times forward earnings. That's a steal for a company expected to grow profits by 25% annually.

Fool contributor Ryan Vanzo has no position in Canada Goose Holdings Inc.

Stephanie Bedard-Chateauneuf: Metro, Inc

Metro (TSX:MRU), a food and pharmacy leader in Quebec and Ontario, is my top stock for 2020.

According to economists, there could be a recession in 2020. Since Metro is a steady, defensive business, it's an ideal stock to buy if you worry about the markets and the economy. People won't stop buying food or going to the pharmacy even if the economy is slowing down.

Metro delivers good returns year after year. Its 15-year CAGR is over 15%, which is high for a company in the consumer defensive sector.

The grocer plans to roughly double the number of stores with self-checkouts during its 2020 financial year. This technology improves customer experience and help to manage labour costs. Metro endedits fiscal year with a 15.4 % net earnings boost in the fourth quarter, going from $145 million to $167.4 million.

Fool contributor Stephanie Bedard-Chateauneuf has no position in Metro, Inc.

David Jagielski: BlackBerry Ltd

BlackBerry (TSX:BB)(NYSE:BB) is my top stock pick for 2020. Although it has struggled this past year and hasn't performed up to analyst expectations, there is still a lot of potential for the company to bounce back in a big way next year.

Its acquisition of Cylance has put BlackBerry in a great position to expand its offerings while also helping to grow its customer list in the process. Although the results since the acquisition have not been impressive, it's still very early on in the process. BlackBerry's focus on cybersecurity and strong capabilities in artificial intelligence make it an exciting long-term buy, especially as consumers focus more on data privacy and security.

And with gross margins averaging 75%, the company's business looks stronger than ever — as it continues to grow its sales, it'll lead to a stronger bottom line and that will help generate some much-needed excitement around the stock.

Fool contributor David Jagielski owns shares of BlackBerry Ltd

Kay Ng: Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) stock has outperformed the market in the long run, delivering total returns of 12% since before the last recession and market crash. Importantly, the stock is undervalued and offers a secure yield of about 5% in the form of monthly dividends.

Over the last few years, Pembina has improved its payout ratio and the quality of its cash flow. About 85% of its adjusted EBITDA is now fee-based, which alone covers its dividend with cash left over for funding organic growth, debt repayment, dividend growth, or share buybacks.

In the first half of 2020, Pembina expects to close the acquisition of the **Kinder Morgan Canada** and the U.S. Cochin Pipeline, which offers further vertical integration. Additionally, it has $5.7 billion of commercially secured projects to boost growth.

Fool contributor Kay Ng owns shares of Pembina.

Mat Litalien: Lightspeed POS

There is no sign that growth stocks are ready to take a back seat. Given this, I am sticking to the sector that has delivered outsized returns for the past decade: technology.

My top pick for 2020 is **Lightspeed** (TSX:LSPD). After getting off to a blistering start this past March, the company consolidated in the second half of 2019. This is great news for investors who think they may have missed the boat.

Despite 60%+ gains in 2019, Lightspeed remains attractively priced. It is trading at only 28 times sales, considerably cheaper than peers such as **Shopify,** which is trading at 40 times sales.

Likewise, analysts expect the company to grow earnings at a 62.50% annual clip over the next five years. No other TSX-listed tech stock has higher growth rates – not even the aforementioned Shopify. Look to Lightspeed for outsized gains this year.

Fool contributor Mat Litalien is long Lightspeed POS and Shopify.

Chris Liew: Pembina Pipeline Corp.

Pembina (TSX:PPL)(NYSE:PBA) is displaying resiliency amid the headwinds in the energy sector. The stock's gain thus far this year is 16.5% at the time of writing, and if a recession comes in 2020, the company is prepared to meet it head on.

This $23.5 billion oil and gas midstream company is for investors with low-risk investing appetites. Pembina has shown in the past its capability to endure market crashes.

The company moves the all-important natural gas and petroleum products in Canada and the U.S. Its principal clients utilize Pembina's pipeline, which stretches for 10,000 kilometres across Alberta and British Columbia.

With a healthy 5.17% dividend, Pembina can also be a healthy income provider for retirees. All these reasons make Pembina my top pick for 2020.

Fool contributor Christopher Liew has no position in any stock mentioned

Nikhil Kumar: E-L Financial Corporation Limited

E-L Financial Corporation Limited (TSX:ELF) is a Canadian financial company controlled by the wealthy Jackson family of Toronto. The intrinsic value of the company is close to $1,550 a share, which can be easily calculated based on the market value of assets owned. The stock trades at just $780 a share.

Over the last five decades, the company has increased book value at 12.3% a year, easily outperforming the S&P 500 by two percentage points per year.

Share buybacks, a sale of Empire-Life, a sale of corporate owned assets or a special dividend could unleash value. E-L Financial's discount is now at historically high levels.

Fool contributor Nikhil Kumar owns shares of E-L Financial Corporation Limited.

Daniel Da Costa: Cargojet

After careful consideration, my top stock for 2020 is **Cargojet Inc** (TSX:CJT). Cargojet has more than 90% of the overnight air cargo market share in Canada, making it a key component of the growing ecommerce industry.

Despite exposure to consumer spending — which may see a slowdown in 2020 — the growth we'll continue to see in online shopping should more than offset that, making 2020 another huge year for Cargojet.

The increased demand for its services should also help it to achieve better scale, which will help to improve margins and make the company that much more profitable.

The stock is hot on the back of a deal it signed with **Amazon** in August of 2019, to increase the partnership between the two companies.

Cargojet still has a ton of upside though, as its demand will only continue to grow — which is why it's my top stock pick for 2020.

Fool contributor Daniel Da Costa has no position in any of the stocks mentioned.

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