The 3 Best TSX Stocks of 2019: Buys in 2020?

Description

2019 was an incredible year for the **TSX Index**. Rising 19%, it posted its biggest percentage increase since 2009. Investors who bought the TSX through an ETF last year are sitting pretty now, but some individual stocks performed far better than the index.

Canada's top 2019 stock–which I'll reveal shortly–posted returns well in excess of 100%, and many other climbed over 50%. It's been an exciting performance to watch, but now the question is whether these stocks can keep it up.

Trading at nosebleed valuations, the best-performing TSX stocks of 2019 are starting to look mighty pricey. However, some of them may yet have a ways to go.

Depending on how fast their earnings increase, they could still be buys. With that in mind, here are the three best-performing TSX stocks of 2019, along with some thoughts on whether they could continue outperforming in 2020.

Shopify

Shopify Inc (TSX:SHOP)(NYSE:SHOP) has been the darling of the Canadian markets since 2015. Having closed its first day of TSX trading at $34.94, it goes for over $600 today. Driven by incredible revenue growth, the company has been growing by leaps and bounds, and its share price has gone right along with it.

In 2019, Shopify was the top-performing TSX stock, rising 175% according to Morningstar data. That follows several prior years of market-beating returns, capping a cumulative post-IPO rise of about 1700%.

If Shopify remains a media darling, perhaps it will continue rising, but it should be noted that the stock price is growing far faster than revenue, which only grew about 45% in 2019.

The company is also not yet profitable by GAAP or IFRS standards, though it occasionally posts profits by its own non-GAAP adjusted metrics.

Air Canada

Air Canada (TSX:AC)(TSX:AC.B) was the second-best performing TSX stock of 2019, rising 96%. Years ago, if someone had told you that would come to pass, they'd have laughed in your face.

Facing bankruptcy in the 2000s, the company once looked like it was down for the count. But more recently, it has come back to life, posting several years of rising net income.

In its most recent quarter, AC's EBITDA grew by 9%, which, while a lot less than its share price increased, is still a solid jump. It's also worth noting that AC still only trades at about 11 times earnings and 0.67 times sales, so it could be undervalued.

Ceridian HCM Holdings

Ceridian HCM Holdings Inc (TSX:CDAY)(NYSE:CDAY) is a little-known Canadian tech company that develops HR and payroll software.

While it may not be a household name, it's already a fairly large company, with $824 million in revenue in its most recent quarter. In 2019, CDAY rose 76%, making it the third best performing TSX stock that year.

What are the chances that CDAY will keep outperforming in 2020? If the company's most recent earnings release is any indication, fairly high.

For the fourth quarter, CDAY's revenue jumped 13.9% year over year. For the full year, the jump was 11.9%. While that's not as extreme as the increase in the share price, this company is rapidly becoming profitable, with $76 million in 2019 net income compared to a $60 million loss in 2020. This swing toward profits could potentially drive more stock price gains in the year ahead.

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1. Dividend Stocks

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:AC (Air Canada)
4. TSX:DAY (Dayforce)
5. TSX:SHOP (Shopify Inc.)

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