



CPP Pension Stocks: 2 Bargain Bets Worth Considering

Description

The recent market downturn has been brutal. The **S&P 500/TSX Composite Index** has fallen almost 17%, while the **Dow Jones Index** has plunged 15% from their respective record highs last month. The sharp fall has dug a deep hole in not only retail but in institutional investors' pockets as well.

Amid these volatile markets, institutions such as the Canada Pension Plan Investment Board (CPPIB) will be having terrible times as well. In the quarter ended December 2019, the pension plan reported a return of 3.6%, net of expenses. The recent rout has hit global financial markets. So, one can expect lacklustre returns from the fund in the current quarter also.

Two stocks that CPPIB holds and have significantly come down amid this downturn are **WSP Global** ([TSX:WSP](#)) and **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)).

WSP Global

WSP Global is a consultancy company based in Montreal. It offers project management services in sectors like engineering, infrastructure, electrical, and transportation. Notably, it is a pure-play consulting and design firm and bears no construction risk.

WSP Global stock, one of CPPIB's biggest holdings, has fallen more than 15% amid this volatility in the last few weeks.

The company has shown consistent growth in its bottom line in the last few years, supported by numerous acquisitions. In 2019, WSP Global completed eight acquisitions and one in 2020. The company already has a strong presence globally and plans to expand its global footprint with some of its recent purchases.

Higher contributions and synergy benefits from these acquisitions will likely positively impact WSP's earning in the long term. The company management looks positive and expects lower double-digit revenue growth for the next few years.

WSP Global's net income increased by more than 10% on average in the last three years. Analysts expect higher earnings growth for the company in the current year.

Moreover, [WSP Global looks fundamentally sound](#) and has a strong balance sheet. At the end of December 2019, the company had net debt of \$1.1 billion. Its net debt-to-EBITDA ratio was at 1.1 times.

It is called as a leverage ratio, which tells investors how many years a company would take to repay the debt with its EBITDA, keeping both debt and EBITDA constant.

Canadian Natural Resources

Shares of a \$26 billion energy company Canadian Natural has been on a vertical fall in the last two weeks. It has halved in market value amid oil price plunge in this period. CPPIB holds more than 2% in the company at the end of December 2019.

One big advantage of holding [Canadian Natural stock](#) is its stable dividends which yield 8% at the moment. Canadian Natural indeed stands tall among peer energy players as a low-cost producer and due to its long-lasting, high-quality oil sand assets.

While the whole energy sector burnt amid oil price volatility, CNQ continued to generate strong positive free cash flows last year. Thus, its dividends will likely remain intact, even if energy commodity prices plunge. Mainly driven by its unique assets and efficient operations, Canadian Natural will continue to operate profitably and reward shareholders in the foreseeable future.

Remarkably, while the Canadian energy sector cracked almost 30% in the last couple of weeks, CPPIB CEO Mark Machin is positive on the sector. He expects demand for oil and gas to remain strong, and the recent fall has resulted in discounted valuations of the stocks.

CNQ stock indeed looks cheap after its recent fall. It is trading nine times its estimated earnings for the next 12 months.

Only time will tell if CPPIB increased or decreased its position in these two stocks amid the recent fall. However, long-term investors can make the most of this market downturn. Both WSP and CNQ are available at discounted valuations and will continue to generate value in the coming years.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)

2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:WSP (WSP Global)

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