3 Mid-Cap Stars to Buy During This Selloff

Description

Hi, Fools. I'm back to call your attention to three attractive mid-cap stocks. As a reminder, I do this because mid-cap companies — those with a market cap of between $2 billion and $10 billion — have two key features: more upside potential than large blue chip companies and less downside risk than speculative small-caps.

In other words, if you want to take advantage of the recent market volatility (without being reckless), this is a good place to start.

Let's get to it.

Seeing stars

Leading off our list is online gambling technologist **The Stars Group** (TSX:TSGI)(NASDAQ:TSG), which currently has a market cap of about $8.4 billion. The stock has held up well during this recent selloff, suggesting that Stars' growth is relatively recession-proof.

Specifically, the company's online leadership, well-known brands (including PokerStars and Full Tilt), and growing partnerships should continue to underpin long-term success. In the most recent quarter, EPS of $0.49 topped estimates by $0.09 as revenue improved 5% to $688 million.

More important, free cash flow in 2019 clocked in at an impressive $216.4 million.

"In 2019, we continued to execute on our strategy to deliver long-term sustainable growth and become the world's favorite iGaming destination," said Rafi Ashkenazi. "We not only began to see the full-year benefits of our transformative 2018 acquisitions, but executed on delivering a landmark media partnership in the U.S., with the launch of FOX Bet."

Stars currently trades at a forward P/E in the low teens.

Walk in the park

With a market cap of nearly $5 billion, oil and gas refiner **Parkland Fuel** (TSX:PKI) is our next marvelous mid-cap stock.

Parkland has been hit particularly hard in this market downturn, providing income-oriented Fools with a possible buying opportunity. Despite its exposure to the depressed energy sector, Parkland's massive volumes (~22 billion litres of annual fuel volume) and diversified geographic reach should continue to support strong dividend growth.

In 2019, for example, the annual dividend increased to $1.19 per share as adjusted distributable cash flow clocked in at a whopping $561 million.

"I am proud of the team's accomplishments in 2019," said President and CEO Bob Espey. "In addition to celebrating our 50th year as a publicly traded company, we continued to deliver across all our strategic pillars."

Parkland shares currently trade at a forward P/E in the mid-teens and offer a solid dividend yield of 3.0%.

Heavy feeling

Rounding out our list this week is heavy equipment company **Toromont Industries** (TSX:TIH), which currently sports a market cap of about $5 billion.

Toromont shares have held up relatively well in recent weeks, which should provide risk-averse Fools with some peace of mind. Specifically, Toromont's strong balance sheet, solid returns on equity, and prudent acquisitions make it a solid play during turbulent times.

In 2019, for example, earnings improved 14% to $287 million. On that strength, management boosted the quarterly dividend by an impressive 15%.

"Toromont delivered solid results in the fourth quarter and full year of 2019," said President and CEO Scott Medhurst. "Reflecting on the substantial acquisition completed in late 2017, we are pleased with our progress to date in integration of operations and the benefits achieved, as we leverage best practices and operational efficiencies."

Toromont currently trades at a forward P/E in the mid-teens and offers a dividend yield of 1.8%.

The bottom line

There you have it, Fools: three attractive mid-cap stocks worth checking out.

As always, they aren't formal recommendations. View them instead as a jumping off point for further research. Even the best mid-cap stocks can face serious trouble from time to time, so plenty of due diligence is still required.

Fool on.

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2. TSX:TIH (Toromont Industries Ltd.)

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