TSX Stocks: 1 Top Pick You Won’t Want to Miss

Description

Over the last few weeks, stock markets in both Canada and the United States have been rallying. And although most **TSX** stocks have gained in value, investor favourites have led the way.

So far, massive blue-chip companies that investors feel can weather this storm have been some of the top-performing TSX stocks. There have also been significant gains in utility stocks and alternative power generators.

For the most part, any business that’s a staple and has a high degree of recurring revenue has outperformed the market since the start of all this.

One stock that has seemingly been left behind is **Shaw Communications Inc** (TSX:SJR.B)(NYSE:SJR). This, however, is to the benefit of savvy long-term investors, as the TSX growth stock is presenting a major long-term opportunity.

Shaw announced its second-quarter 2020 earnings just last week, and the numbers were impressive. Revenue was up 3.7%, and earnings before interest, taxes, depreciation and amortization (EBITDA) were up 2%.

It’s worth noting that the quarter ended on February 29, 2020, so there was almost no impact on its business in the quarter from COVID-19.

Going forward, however, the company’s outlook did look appealing. It still sees EBITDA and free cash flow growth for the full year. Although its estimates have been reduced, the minimal impact to its business as a result of COVID-19 is extremely impressive.

Resilient TSX stock

Shaw has the advantage of having well-diversified operations. The company offers wireline services to both consumers and businesses as well as having its growing Freedom Mobile wireless division.

Both wireline and wireless businesses are expected to be minimally impacted during the economic shutdown, putting Shaw in a strong position.

On the wireline side, the majority of its revenue comes from consumers. Given that consumers are stuck at home, this should remain stable. In many cases, there isn't much to do other than watch TV or use the internet. It's therefore unlikely there will be a major impact on the wireline business.

With the wireless business, the majority of its revenue comes from subscription fees. Thus, although there may be an impact on new device sales or revenue from things like data overage fees, very little of that accounts for Shaw's total consolidated revenue.

All in all, the top TSX stock's business is extremely robust. Not only can investors expect it to hold up in this current environment, but even in a non-lockdown recession, Shaw's business is proving to be extremely resilient.

Strong financial position

What makes Shaw the ultimate stock to buy today that investors can count on? On top of its extremely resilient business operations, the company's financials are in tip-top shape.

At the end of the second quarter, the company's net debt to EBITDA ratio was just 2.5 times. This is at the low end of Shaw's 2.5 times to 3.0 times target range.

As well, the company has a tonne of available liquidity and no debt maturities until 2023. So for investors of Shaw, debt doesn't look like it will be an issue any time soon.

As much as all these qualities make Shaw a buy today, so too does its dirt-cheap valuation. The stock is trading at an enterprise value to EBITDA multiple of less than 6.0 times. This makes Shaw one of the cheapest telecoms, despite having the most growth potential.

The top TSX stock also pays a hefty dividend. At current prices, the dividend is yielding more than 5.25%, which makes Shaw a reliable dividend payer and a triple threat stock — one that offers investors growth potential, income, and most important, value.

Bottom line

Shaw is a well-run company with a long runway for growth. The business operates in a highly resilient industry, and its dividend is sustainable.

For investors looking for a top stock to provide some stability in their portfolio that's trading cheap, Shaw should be your top choice.

CATEGORY

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2. TSX:SJR.B (Shaw Communications)

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