3 Top Stocks That Will Soar Out of This Pandemic

Description

The COVID-19 pandemic crisis has made it a challenging year for investors in TSX stocks. I believe there still remains significant value in stocks that are more cyclical in nature. While these stocks might temporarily be more volatile, they should enjoy significant long-term upside as the world recovers from the pandemic.

When investing, I am looking to own stocks that will not only survive the crisis but that also find opportunities to grow out of the pandemic. Today, I am looking at three top TSX stocks that should do just that.

Top stock: Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a top bank stock set for a strong post-pandemic recovery. Of course, there are concerns with all banks surrounding low interest rates, potential for higher-than-average loan defaults, and general economic weakness in the pandemic.

Yet, TD is one of North America's largest banks. It has a very strong retail presence in Canada and in the eastern United States. Despite the pandemic, TD has a solid balance sheet with a liquidity ratio of 135% and an equity ratio of 11%.

I think TD has a number of intriguing catalysts from here. First, out of the pandemic, it may have some attractive opportunities to expand its U.S. footprint through consolidating some smaller regional banks.

Second, after the merger between **TD Ameritrade** and **Charles Schwab**, TD Bank will have a 13% stake in the new company. It should enjoy both accretive synergies and overall market dominance in the U.S. brokerage sector.

Lastly, TD is just a very well-diversified bank that is trading cheap today. Right now, you get a great 5.15% dividend while you wait for growth to pick up again.

Top pick: AltaGas

A second stock set for post-pandemic growth is **AltaGas** (TSX:ALA). As compared to the past, the company is in a remarkably strong position today.

Over the past few years, AltaGas has divested non-core assets, reduced debt, and focused its business on more stable-yielding assets. Today, 60% of its EBITDA is derived from a regulated natural gas distribution business in the U.S.

AltaGas derives the remaining 40% of EBITDA from a solid midstream business that is underpinned by take-or-pay/fee-for-service contracts. It has been seeing very strong pricing and demand from its distribution markets in Asia.

Likewise, its utility segment performed with stability and consistency. Management believes it can grow its utility rate base by 8-10% annually from 2020 to 2024.

Compared to peers, AltaGas trades at a significant discount, despite its stability and capacity for internally funded growth. Eventually the market should recognize this and the stock could see a significant price re-rating. In the meantime, investors can enjoy a nice, well-covered 5.9% dividend.

Top stock: WSP Global

WSP Global (TSX:WSP) is the last top stock that should rise out of the pandemic. Being a pure design, engineering, and consulting firm, it has no construction risk. It is diversified in business operations, services, geography, and clientele mix.

As jurisdictions seek to spur economic growth, infrastructure spending will likely increase globally. As a result, WSP should have a large opportunity to increase its backlog over the next few years. Infrastructure makes up around 50% of its current revenues.

WSP recently boosted its balance sheet through a $570 million equity offering (heavily subscribed by institutional capital). It is now primed to significantly invest in its growth-by-acquisition strategy. In fact, the crisis may stand to create some very attractive acquisition opportunities to expand its service breadth and depth.

The company pays a nice 1.77% dividend, but most growth will likely come from the company executing its M&A expansion strategy.

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TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:TD (The Toronto-Dominion Bank)
4. TSX:WSP (WSP Global)

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