Buy Alert: 2 TSX Stocks to Buy if Markets Continue to March Ahead

Description

As the economy slowly begins to open, there will be companies that will reclaim lost market capitalization. Companies in the infrastructure and oil and gas sectors will be particularly interesting to watch as the world starts to reopen economies.

Tourmaline Oil (TSX:TOU) is trading at $12.88 right now and is a compelling buy at current levels. The company is the largest natural gas producer in Canada and has rebounded from a low of $6.73 in March this year, as the energy sector crashed globally. While a lot of good oil stocks have recovered from their March and April lows, natural gas stocks haven't. That's because unlike the oil price rally, natural gas prices haven't gone up.

However, with a number of capital expenditure cuts being announced by natural gas companies during the lockdown, natural gas supply will be reduced, and that should mean that gas prices will go up.

This TSX stock has a strong balance sheet

Tourmaline has decent cash flow and continues to pay a dividend. Its forward yield is at 3.82% at current prices. Tourmaline has said that its 2020 aggregate dividend of $130 million and net topaz aggregate dividend of $17 million will be paid from its estimated 2020 free cash flow of $173 million.

For 2021, it estimates a cash flow of $1.27 billion, and that should ensure that dividend payouts won't be an issue next year as well. Tourmaline has said that a $0.10 per Mcf increase in the annual NYMEX natural gas price increases the company's annual cash flow by approximately $50 million.

There are macroeconomic factors at play here, and one can expect a lot of volatility in this space. However, patient investors should start accumulating this stock, as it's a solid play in the long term. Analysts have given a price target of $19.64 for the stock. That's an upside of over 52% from current levels.

Another contrarian buy for your portfolio

Another company to look out for is **Badger Daylighting** (TSX:BAD) — it has recovered well from its March lows of $19 to over $29 today. However, the stock is still is trading almost 40% off its 52-week highs.

Badger is a reliable company, and the effects of the virus and the lockdown are not going to affect it too much. The company has paid out dividends for 10 years straight, and that should provide a lot of comfort to investors. Add the forward dividend yield of 2.05%, and there's a nice little return on investment.

The company pays out around 30% of its profits to shareholders, and that's a comfortable number even in COVID-19 times. Speaking of returns, Badger's ROE (return on equity) for the 12 months trailing March 2020 has been a solid 17%

Analysts expect Badger sales for the year to decline by 10%, which is decent considering the world has been shut for three months. Of course, it's a steep fall from the 13% growth rate of the last five years. This is a good stock to buy and hold.

CATEGORY

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2. Investing

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2. TSX:TOU (Tourmaline Oil Corp.)

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