3 TSX Stocks for 1st-Time Investors to Buy in August

Description

Canadian markets witnessed one of the fastest recoveries in the last four months after an epic crash in March. Stocks that are currently trading below their fair values will likely outperform in the next few months. So, here are three top **TSX** stocks that are still cheap. If you are sitting on some cash, consider these picks for long-term investments.

National Bank of Canada

National Bank (TSX:NA) is the smallest among the six big banks in Canada. However, it has returned almost 250% in the last decade, significantly outperforming peers.

The $22 billion bank has a major presence in Quebec and serves more than 2.5 million customers across the country.

In the recently reported quarter, it generated 32% earnings from retail banking, while financial market operations accounted for 36% of its earnings. Wealth management and U.S. Specialty Finance operations contributed the rest. National Bank's diversified earnings base indicates stability for its long-term growth.

National Bank stock yields 4.4% at the moment, higher than TSX stocks at large. Notably, it managed to grow dividends by 8% compounded annually in the last five years.

Many banks, including National Bank, boosted their provisions for credit losses in the last reported quarter, which pulled down their earnings. However, a strong balance sheet and credit quality make it relatively resilient in the current situation.

National Bank stock is currently trading 15% lower against its pre-pandemic levels and looks attractive from the valuation standpoint.

Open Text

Investors can consider adding TSX tech stock **Open Text** (TSX:OTEX)(NASDAQ:OTEX) for a growth tilt to their portfolios. Open Text is a $16 billion software company that offers enterprise resource solutions.

It is not among the fastest-growing tech companies in the country. But it was consistent with its revenues and profits for the last several years. For the fiscal year 2020 that ended in June this year, Open Text reported revenues of $3.1 billion, an increase of more than 8% year over year. Its net income grew by 5% compared to the same quarter last year.

The stock has returned almost 150% in the last five years, notably beating the TSX stocks on average. From the valuation perspective, it is trading 20 times next year's earnings and looks like an attractive buy.

Goodfood Market

Goodfood Market (TSX:FOOD) is among the very few companies that witnessed substantial growth during the pandemic. The stock has more than tripled since its record lows in March.

Goodfood Market is a $440 million company that delivers fresh meal ingredients to its subscribers. Its mission is to help members do their grocery shopping and weekly meal planning in less than one minute. The subscriber base significantly grew amid the recent pandemic-driven lockdowns.

Goodfood Market anticipates the current shift in consumer behaviour will have a prolonged positive impact on demand. Interestingly, a higher subscriber base and margin expansion could play well for its long-term earnings growth.

Goodfood stock looks attractive from the valuation standpoint despite the recent rally. However, it could be a risky bet for conservative investors, given its smaller size and stock volatility.

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2. TSX:FOOD (Goodfood Market)
3. TSX:NA (National Bank of Canada)

4. TSX:OTEX (Open Text Corporation)

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Date
2025/08/25
Date Created
2020/08/13
Author
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