



2 Great Canadian Stocks to Buy in 2021 and Hold Forever

Description

When markets are volatile, it makes sense to place your bets on companies with wide economic moats, strong leadership positions, and resilient business models. That's why I have picked out two of the strongest names trading on the TSX.

The two companies discussed here are well established and profitable, and one is also trading at a really cheap valuation.

Shopify: An e-commerce heavyweight

The first stock on the list is Canada's largest publicly traded company (in terms of market cap): **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Shopify has thrived amid the pandemic and has almost tripled in 2020. The stock has, in fact, surged over 4,000% since it went public in 2015.

Shopify allows merchants to set up online stores and provides them with the required tools to market their businesses. These merchants pay a subscription fee to Shopify, and the company also generates revenue from payments, fulfillment, and shipping services.

In Q3, the merchant's solutions business accounted for 68% of total sales and rose 132% year over year to US\$522 million. Shopify is part of a rapidly expanding addressable market, and its sales in the first nine months of 2020 rose by a stellar 82% year over year.

The company is also on track to generate US\$100 billion in gross merchandise volume in 2020, while analysts expect sales to grow by 81% to US\$2.85 billion in 2020.

Due to the stellar appreciation in its stock price, Shopify is valued at a market cap of US\$140 billion, indicating a forward price-to-sales multiple of 49 and a price-to-earnings multiple of 312.5.

We can see Shopify is one of the most expensive stocks on the TSX, but growth stocks command a higher valuation. The company has multiple secular tailwinds, making it a top bet for 2021 and beyond.

Barrick Gold: A gold-mining company

Another company that should gain momentum in 2021 is **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD), a Canadian gold mining company. Shares of Barrick Gold have returned 22% in 2020 and surged 200% in the last five years.

Gold prices have an inverse relationship with interest rates. Further, due to a weak macro-economic environment, bond yields are likely to remain low in order to boost economic activity and increase consumer spending. The quantitative easing measures and stimulus packages will also weaken the U.S. dollar, which is another driver for rising gold prices.

As gold prices rise, the profit margins for Barrick Gold and its peers will also surge higher. In fact, analysts expect Barrick Gold's earnings to rise at an annual rate of 39% in the next five years. Given its forward price-to-earnings multiple of 19.7, we can see the stock has enough room to surge higher in 2021 and beyond.

In Q3, Barrick [reduced its net debt](#) by 71% to US\$417 million and generated a record US\$1.3 billion in free cash flow. It also raised quarterly dividends by 12.5% which was its third increase in 2020.

Analysts tracking Barrick Gold have a 12-month average target price of US\$33.5, which is 47% above its current trading price.

Barrick Gold lost 13% in market value in November, and this price correction makes it an [attractive buy](#) for long-term and contrarian investors.

CATEGORY

1. Investing
2. Metals and Mining Stocks
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TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:ABX (Barrick Mining)
4. TSX:SHOP (Shopify Inc.)

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