



3 Canadian Stocks That Can Deliver Superior Returns in 2021

Description

Despite the rising COVID-19 cases worldwide, the Canadian equity markets continue to rise, with the **S&P/TSX Composite Index** standing just 0.5% lower from its all-time high. The expectation of more economic stimulus appears to be driving the equity markets higher. Amid investors' optimism, here are the three Canadian stocks that could deliver superior returns this year.

TransAlta Renewables

The world is moving toward renewable energy resources to meet its energy requirements amid concerns over the rising pollution levels. This shift has created an enormous growth potential for renewable energy stocks, such as **TransAlta Renewables** ([TSX:RNW](#)). After delivering impressive returns of over 40% last year, the company has continued its upward momentum this year. Its stock price rose over 10% in the first three days of trading.

Yesterday, Democratic candidates won the two seats in Georgia, which shifted the Senate's control towards Democrats. Joe Biden is a staunch supporter of clean energy and had provided a US\$2 trillion plan to accelerate investments in clean energy during his election campaign. Investors hope that this power shift would allow Biden to implement his progressive initiatives.

Meanwhile, the company has also [planned](#) to invest \$890 million to \$960 million over the next couple of years on high-returning projects, which could support its earnings growth in the coming years. Last month, TransAlta Renewables acquired three of **TransAlta Corporation's** assets for \$359 million, which could increase its power-generating capacity by 303 megawatts. Also, these acquisitions could bring in \$45 million of adjusted EBITDA annually. So, given its healthy growth prospects, [I am bullish on TransAlta Renewables](#).

The company has been rewarding its shareholders with monthly dividends. It currently pays monthly dividends of \$0.0783, with its dividend yield standing at 3.9%.

Suncor Energy

Since the beginning of November, **Suncor Energy's** ([TSX:SU](#))([NYSE:SU](#)) stock price has increased by 56.6%. The multiple rollouts of vaccines have increased investors' expectations of life and businesses returning to pre-pandemic ways, leading to a rise in oil prices. Despite the recent increase in its stock price, Suncor Energy still trades 47.8% lower from its 52-week high. The company's valuation looks attractive, with a forward price-to-sales multiple of 1.2 and a price-to-book multiple of one.

Suncor Energy's management has stated that its business could sustain and also pay dividends, even with WTI crude oil trading slightly lower than US\$40 per barrel. With WTI crude oil trading around \$50 per barrel, I expect its financials to improve in the coming quarters.

Further, the company's management expects its operating metrics to improve this year. Its production to increase by 10%, while its operating expenses could go down by 8%. Further, the company's downstream utilization rate to improve by 6% to 93%. The U.S. Energy Information Administration has also given an optimistic short-term outlook for the energy sector.

Lightspeed POS

After bottoming out in March, **Lightspeed POS's** ([TSX:LSPD](#))([NYSE:LSPD](#)) stock price has rallied by over 685%. Amid the pandemic-infused shutdown, many small- and medium-scale retailers and restaurant operators shifted from legacy point-of-sale to omnichannel solutions, driving the demand for Lightspeed POS's products and services. Its customer base grew to over 80,000 locations at the end of the recently reported second quarter, while its gross transaction value came in at \$8.5 billion.

Meanwhile, the demand for the company's services and products could sustain, given the large addressable market, a structural shift towards online shopping, and a wide array of the company's innovative products. Also, Lightspeed POS is focusing on acquisitions to expand its footprint geographically. In the December-ending quarter, the company completed the acquisitions of Upserve and ShopKeep.

CATEGORY

1. Energy Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
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3. TSX:LSPD (Lightspeed Commerce)
4. TSX:RNW (TransAlta Renewables)
5. TSX:SU (Suncor Energy Inc.)

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