



3 Top Canadian Stocks to Buy Now Before it's Too Late!

Description

Finally, top Canadian stocks are starting to get some love again! 2020 was tough on Canada's indices, primarily due to their exposure to the energy and financial sectors. With investors eager to engage in the pandemic recovery theme, demand for more cyclical stocks is driving the **TSX** higher.

Areas that were formerly hated by the market are actually starting to see gains. Despite poor 2020 stock performances, many of [these stocks performed operationally well](#). It appears the sentiment is starting to change and now is the time to have some exposure to some of these cyclical plays.

Here are three top Canadian stock picks that are great buys now while they are still relatively cheap.

A top Canadian energy stock

Over the past five years, **AltaGas** ([TSX:ALA](#)) has been a major laggard. This was largely due to its high leverage, poor execution, and exposure to a weak commodity sector. Yet recently, the company has executed a strong turnaround. Many investors do not recognize that 86% of its EBITDA is derived from low-risk regulated and contracted assets. 57% of its EBITDA mix is derived from a very stable, regulated gas distribution business in the United States. It provides the business a very stable foundation of cash flows.

The intriguing bet is actually on its midstream and exports business. Natural gas liquids (NGL) and other heating fuels (propane/butane) have been seeing strong demand in Asia. Through a recent acquisition of Petrogas, the company now has multiple avenues to ship its refined gas products abroad.

Consequently, this top Canadian stock should see a meaningful (10-20%) boost to earnings, cash flows, and hopefully dividends in 2021. The stock pays a nice 5% yield now, but I think there is even more upside in 2021.

A top Canadian telecom

Telus ([TSX:T](#))([NYSE:TU](#)) is another top stock that could give Canadian investors a nice surprise in 2021. Telus is mostly known for its steady-eddy wireline and wireless businesses. Despite the pandemic, it actually performed pretty well and saw sector leading net new customer additions. Yet one very intriguing catalyst for earnings and multiple expansion is Telus's focus on digital services.

It just announced plans to spin out Telus International, which is a global provider of digital, IT, and call centre services. It has been rapidly growing and should garner a significant valuation upon IPO.

Likewise, Telus is also incubating Telus Health, which is Canada's largest digital health services provider. Right now, neither of these members are fully valued in the stock price. Telus has a significant opportunity to unlock value here. The stock pays a sweet 4.9% [dividend](#) today. Combine its business stability with hidden growth prospects and it looks like a sweet deal.

A top stock you've likely never heard of

Hardwood Distributions (TSX:HDI) is likely a Canadian stock you have never heard of. Yet it is actually the largest distributor of architectural building products in North America. This under-the-radar Canadian stock has steadily been consolidating milling and hardwood distribution centres across North America.

Since 2010, it has grown sales and adjusted profit per share by a CAGR of 20% and 41%, respectively. The company is a cash flow machine and is trading with a nice free cash flow yield of 8%!

Given that interest rates are at all-time lows, the housing and construction market is set for another strong year. It could create another record setting year for Hardwoods. The stock only trades with an earnings multiple of 14.9 times.

Yet considering the rate of growth, its solid balance sheet, and strong management expertise, I believe this will re-rate higher this year. Hardwood is one top Canadian stock I would buy soon before it is too late!

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2. Energy Stocks
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