Got $1,000? The 2 Best TSX Stocks to Buy Right Now

Description

Despite the run-up in stocks over the past several months, vaccine development and an expected economic recovery are likely to support equities in 2021. While most Canadian stocks are looking a bit expensive on the valuation front, a few are expected to play well and deliver decent gains this year.

So, if you've got $1,000 to invest, consider buying these TSX-listed stocks right now.

Loblaw

Food and pharmacy giant **Loblaw** (TSX:L) is looking attractive at the current price levels. Its growing digital capabilities bode well for growth and position it well to expand its market share and drive meaningful same-store sales growth.

Through its Everyday Digital retail strategy, Loblaw continues to add convenience for its shoppers, which is likely to drive traffic in the coming years. Meanwhile, its payments and rewards and connected healthcare offerings are likely to drive growth.

The retailer is expanding its digital offerings and is providing its shoppers front-store offers online. Meanwhile, its click-and-collect or pickup services and doorstep delivery offerings continue to drive sales. Meanwhile, its e-commerce business remains accretive to its gross margin.

I believe higher e-commerce sales and Loblaw's value proposition are likely to drive its revenues and earnings in 2021 and beyond. Further, Loblaw stock is trading at a discount compared to peers. Loblaw trades at a forward P/E multiple of 13.4, reflecting a discount of about 16% compared to **Metro**. Further, it is trading about 28% lower than the peer group average.

Pembina Pipeline

I expect **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) to benefit from the recovery in demand for crude and other liquid hydrocarbons, which it transports. The uptick in economic activities is likely to spur energy demand, which should boost Pembina's prospects.

Pembina Pipeline stock is down about 27% in one year. Moreover, it is trading at a lower valuation multiple compared to peers. It is trading at a EV/EBITDA multiple of 10.2, compared to **Enbridge's** and **TC Energy's** EV/EBITDA multiples of 12.2 and 10, respectively.

Pembina Pipeline operates a low-risk business, thanks to the long-term, fee-based contracts. Further, these contracts have cost-of-service or take-or-pay arrangements, which mostly eliminate volume or price risk. Furthermore, Pembina has diversified its exposure to multiple commodities, which lowers risk and adds stability.

Pembina is witnessing steady recovery in its conventional pipeline systems with strong exit rates, which is encouraging. Meanwhile, additional new projects are likely to bolster its growth in the coming years. The company has paid and increased its dividends over the past several years. Thanks to its strong fee-based cash flows and improving outlook, Pembina could continue to hike its dividends further in the future.

The pipeline company expects to deliver adjusted EBITDA of $3.2 to $3.4 billion in 2021. Meanwhile, its highly contracted assets and strong counterparties are likely to support its financial performance. Improving volumes and pricing, and the growing backlog is likely to drive Pembina's recovery. Meanwhile, its resilient cash flows and sustainable payout ratio (60% of adjusted cash flows from operating activities) suggest that Pembina could boost its shareholders' returns through higher dividend payments. The company currently offers a high dividend yield of 7.4%.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:L (Loblaw Companies Limited)
3. TSX:PPL (Pembina Pipeline Corporation)

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