



Got \$500? 3 Top TSX Stocks to Buy Right Now

Description

The **TSX Composite Index** is up about 50% in the last 12 months. Although some top-rallying TSX stocks appear to be running out of steam now, some names might continue to soar higher. If you are looking for Canadian stocks with decent return prospects, consider these three top TSX stocks for the long term.

BRP

The leading powersports vehicle maker **BRP** ([TSX:DOO](#))([NASDAQ:DOOO](#)) stock is up more than 36% so far in 2021. I'd recommended the stock in late December, given its earnings recovery and management's upbeat outlook. The stock still seems to have some steam left.

BRP, which makes popular brands like See-doo, Ski-doo, and Cam-off, reported its quarterly earnings late last month. Driven by a consistent rise in demand, BRP's revenues grew 12% year over year, while its net income expanded by a remarkable 123%. The management once again increased its guidance for fiscal 2022, which now indicates a normalized earnings growth of 41%.

Apart from solid quarterly earnings, another factor that could drive BRP stock this year is its foray into electric vehicles (EVs). This has largely been the theme in the markets for the last several months now. BRP [announced](#) to invest \$300 million to make EVs in the next five years. It intends to introduce an electric version for each of its product lines by the end of 2026.

BRP's dominant presence in the niche markets indeed gives it a competitive edge. Expected consumer spending increase in the post-pandemic world and now expansion in the EV space could continue to drive BRP stock higher.

Hydro One

Investors sometimes assume way higher risk just to achieve a few percentage points higher return. However, utility stocks offer a relatively better risk/reward proposition. Consider **Hydro One** ([TSX:H](#)). It

has returned 70% in the last five years, beating the TSX Composite Index by a wide margin.

Hydro One is a utility that serves Canada's most populous province Ontario. It generates a large chunk of its cash flows from regulated operations that provides stability and visibility. It pays stable dividends and yields 3.6% at the moment.

Hydro One has raised dividends every year since 2016. Though it has a relatively shorter payout history, it will likely pay consistently growing dividends for years, driven by its low-risk operations and earnings stability.

Air Canada

Air Canada ([TSX:AC](#)) stock has surged more than 22% this year. While it has soared mainly on the hopes of the long-awaited government bailout, we have not seen one so far.

Air Canada recently [terminated](#) its proposed **Transat** buyout after regulators rejected it. Investors cheered the decision, as the flag carrier can now use these cash savings to weather the crisis.

The rejection also gives up on the uncertainties of deploying cash in a relatively weaker unit when the air travel demand outlook is still doubtful. However, Air Canada might use these savings to grow organically once it starts operating with a reasonably higher capacity.

AC stock is still trading at about a 50% discount against its pre-pandemic levels. Its strong balance sheet and robust revenue recovery, probably in the second half of 2021, could continue to drive the stock higher.

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TICKERS GLOBAL

1. NASDAQ:DOOO (BRP Inc.)
2. TSX:AC (Air Canada)
3. TSX:DOO (BRP Inc.)
4. TSX:H (Hydro One Limited)

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