3 Canadian Cyclical Stocks to Buy in May 2021

Description

Canadian cyclical stocks have been picking up traction in recent weeks. As more vaccine jabs are put in arms, such cyclicals could be in a position to continue to outperform over the next 18 months as we inch ever so closer to the end of this pandemic.

Without further ado, let's get right into the names and determine which, if any, is right for you.

NFI Group

NFI Group (TSX:NFI) is a Canadian bus maker whose shares imploded by nearly 80% from its 2018 peak to its 2020 trough. After struggling with falling orders, things are starting to look up again for the firm that I've referred to in prior pieces as being a "cyclical on steroids" and a stealth way to play the rise of electric vehicles.

"NFI isn't just a run-of-the-mill bus maker; it's a play on energy-efficient vehicles. For localities looking to cut their carbon emissions, such green means of transportation will be a must." I wrote in a prior piece, urging investors to give the name a second look.

Indeed, NFI has a lot to gain in the roaring 2020s, with sights now set on amped-up infrastructure spending and cutting down on emissions.

At the time of writing, NFI stock trades at a mere 0.7x sales and 2.3x book, which, quite frankly, is absolutely ridiculous, given the cyclical upswing that's likely up ahead. I expect orders will bounce back in a big way, and the cyclical stock could be ready to make a move toward its 2018 all-time highs.

CAE

CAE (TSX:CAE)(NYSE:CAE) is a flight simulator play that will play a major role in training pilots who haven't been flying amid the pandemic. Undoubtedly, the cyclical stock is a low-risk way to play an air travel recovery without having to risk one's shirt.

The company recently issued 10.45 million of stock, going at US$27.50 per share. The equity issue should help CAE improve its financial flexibility following its planned acquisition of **L3Harris Technologies**' military training business. The deal will bolster CAE's defence business and further diversify it from the ailing commercial civil aviation market, which remains under considerable pressure in the last innings of this pandemic. I'm a huge fan of the deal and think CAE is starting to form a pretty wide moat around its military training business.

While CAE stock isn't nearly as cheap after its incredible 133% bounce off its March 2020 bottom, I still think there's ample upside to be had for investors looking to maximize their gains in a post-COVID environment. The cyclical stock trades at 3.4 times sales and 3.7 book at the time of writing.

Badger Daylighting

Last but not least, we have **Badger Daylighting** (TSX:BAD), a non-destructive soil excavator whose services are likely to be in high demand once the economy really starts to boom. The company essentially has a fleet of hydrovac-equipped trucks that can dig up buried infrastructure with highly pressurized water. It's not a sexy business by any means, but somebody has to do it.

The company derives a big chunk of its revenues from the oil and gas (O&G) market, which has bounced back in a big way over the past several months. Badger's clients aren't as under as much pressure as they were a year ago today, and that's a major reason why the cyclical stock has more than doubled off its 2020 lows.

At 2.5 times sales and 4.3 times book, Badger is a pretty cheap mid-cap to play the rise in infrastructure spending that will accompany the roaring 2020s.

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TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)
2. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
3. TSX:CAE (CAE Inc.)
4. TSX:NFI (NFI Group)

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