3 Stocks to Book Profit and Invest Elsewhere

Description

While the best way to become a millionaire in the stock market is to hold, it is sometimes important to book profits. Now you may ask when to book profits. There are three instances when you should book profits:

- When the company is in a dying market instead of a growing market
- If the company's revenue continues to decline, and cash flows remain negative for years with no hopes of recovery
- When the company is getting acquired by another company in an all-cash deal.

Stocks of such companies have little upside. Hence, it is better to book profits and invest in companies with future growth prospects. Here are three Canadian stocks for which the third point holds.

Domtar stock

Making paper since 1848 **Domtar** (TSX:UFS) is now being acquired by Paper Excellence. The overall paper market is slowing, and it only makes business sense for the industry to consolidate. In May, Domtar agreed to Paper Excellence's all-cash deal of US$55.50 per share. The deal is expected to close in the second half of the year, and Domtar will stop trading on the **TSX**.

Whenever acquisition news comes, the target company's shares top the deal price and growth plateau thereon. Investors have already priced in the acquisition. Hence, it is time to book profit and invest in a growing business. As digitization has replaced paper in many areas, you might want to consider investing in a digital stock.

OpenText is an Enterprise Information Management solutions provider. It helps organizations move and manage critical documents and information securely within and outside the organization. The stock has surged 58% in the last five years and offers a dividend yield of 1.53%.

Shaw Communications stock

Shaw Communications (TSX:SJR.B)(NYSE:SJR) is Canada's fourth-largest telecom company. It has received significant support from the government as the latter looks to promote competition in the telecom space dominated by the top three providers.

The 5G wave and the huge capital needed to build the 5G infrastructure made Shaw an attractive acquisition target. In March, **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) offered a price of $40.5 per share of Shaw.

This offer represented a 70% premium from its last traded price before the bid, making it difficult for investors to refuse such a lucrative offer. Now the retail investors will receive cash while Shaw's management will receive Rogers' shares.

Since the deal was announced, Shaw's stock price plateaued at $36.24, a 12% discount from the deal value. The discount remains as the deal will face opposition from worker unions, customers, competitors, and competition regulators. However, the verdict will be out in a year. Rogers plans to close the deal in the first half of 2022.

If the deal falls apart, Shaw's stock could fall 38% to its price before the deal. It is better to book profits and move on to better stocks. If you want a 5G stock, **BCE** is a better option.

Inter Pipeline

Pipelines are now entering the acquisition wars as environmental concerns are making it difficult to build new pipelines. **Inter Pipeline** (TSX:IPL) has become the target of this war as **Pembina** and **Brookfield Infrastructure Partners** fight for Canada's fourth-largest pipeline operator.

Brookfield has upped its cash offer to $20 per share, whereas Pembina is offering an all-share deal with a 175% increase in dividend per share. A prominent shareholder advisory firm Institutional Shareholder Service is advising IPL investors to accept Brookfield's offer. Investors have already priced in Brookfield's offer. IPL stock is trading at $20.25 with no upside.

It is time to book profit on IPL and instead invest in a pipeline operator like **Enbridge,** which, given its large size, is unlikely to become an acquisition target.

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2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:RCI.B (Rogers Communications Inc.)

4. TSX:SJR.B (Shaw Communications)
5. TSX:UFS (Domtar Corporation)

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