



2 Best Canadian Stocks to Buy in August

Description

The **S&P/TSX Composite Index** was down 77 points in late morning trading on July 30. North American stocks have waded through a rough patch in the second half of July. Rising inflation, political deadlock in the United States, and the rise of the Delta variant have all had a negative impact on the broader investor outlook. That doesn't mean that investors should all withdraw from the market.

Today, I want to look at two top Canadian stocks worth snatching up as we move into the month of August. Let's dive in.

Why it is worth buying the dip in this Canadian stock?

Doman Building Materials ([TSX:DBM](#)) is a Vancouver-based company that distributes building materials-related products in Canada and the United States. Its shares have dropped 8.1% in the year-to-date period. The Canadian stock has plunged 17% month over month.

The cost of building materials [skyrocketed](#) in the first half of 2021. Lumber costs put a major strain on building contractors. Fortunately, that price increase has eased up in recent weeks. Investors can expect to see the company's second-quarter 2021 results on August 16.

In Q1 2021, the company reported revenue growth of 59% to \$519 million. Doman Building Materials benefited from increased sales volumes and higher pricing. Meanwhile, it also benefited from a bump in home improvement activity during the COVID-19 pandemic. Both Canada and the U.S. have also posted strong housing starts.

Net earnings were reported at \$34.1 million – up from \$0.85 million in the prior year. Adjusted EBITDA soared to \$60.0 million compared to \$16.5 million in Q1 2020. The Canadian stock boasts an attractive price-to-earnings ratio of 5.8. Moreover, it offers a quarterly dividend of \$0.12 per share. That represents a tasty 6.9% yield.

Shares of this company are poised for a resurgence

Stella-Jones ([TSX:SJ](#)) is the leading producer of industrial pressure-treated wood products in North America. Its shares have declined 3.3% in 2021 so far. However, the Canadian stock has enjoyed an uptick after plunging close to a 52-week low.

Historically, this company has been able to take advantage of a low Canadian dollar. A good portion of its pressure-treated wood products is sent to the United States. The stronger Canadian dollar weighed down the stock in the first half of 2021. That trend appeared to shift in June, but a dovish Federal Reserve has sent the U.S. dollar reeling once again.

Stella-Jones released its first-quarter 2021 results on May 3. Sales jumped 23% year-over-year to \$623 million. Meanwhile, EBITDA climbed 57% to \$99 million. The company's net income rose to \$56 million or \$0.85 per share – up from \$28 million or \$0.41 per share in the prior year. Stella-Jones bolstered its adjusted EBITDA guidance to between \$450-480 million for fiscal 2021.

Back in June, I'd [suggested](#) that investors should scoop up this discounted Canadian stock. Shares of Stella-Jones last had a favourable P/E ratio of 12. It last paid out a quarterly dividend of \$0.18 per share. That represents a modest 1.6% yield.

CATEGORY

1. Investing

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1. TSX:DBM (Doman Building Materials Group Ltd.)
2. TSX:SJ (Stella-Jones Inc.)

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aocallaghan

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