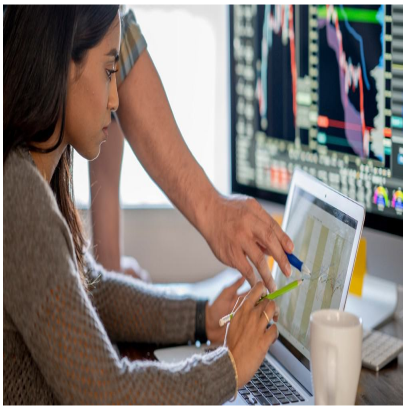

3 Top TSX Stocks to Start Your Portfolio

Description

Are you new to investing and looking for solid Canadian stocks to invest in? You've come to the right place. I'll introduce you to three top **TSX** stocks that could drive handsome long-term returns.

Fortis stock

Fortis (TSX:FTS)(NYSE:FTS) is an excellent choice for new investors. First, it has earnings stability. You won't get many surprises from its business performance, because it's a regulated utility that earns predictable returns on its assets.

Second, Fortis stock pays a decent dividend yield. If you buy its shares now, you will get stable returns of about 3.5% from its quarterly dividends. The utility has been increasing its dividend for almost half a century. It maintains a safe payout ratio and will continue increasing its dividend by about 6% per year through 2025.

Third, stable earnings growth will lead to a steady stock price appreciation that should round up total returns to about 7-8% per year for an investment today. If you could buy the stock on sale, you will likely top long-term total returns of about 10% per year, which is very good for a low-risk investment.

Canadian Tire

Canadians know the **Canadian Tire** (TSX:CTC.A) brand well. Under its umbrella, it also has other brands — SportChek (Canada's largest sport retailer), Mark's (casual and work clothing retailer), Party City (the name speaks for itself!), etc. Additionally, its e-commerce sales have been on the rise, making up more than 17% of its retail sales in the last quarter.

Although the retailer is categorized as a consumer cyclical company, I see little cyclicality in its business. Over the past 20 years, Canadian Tire only had two years of decline in adjusted earnings-per-share (EPS) and last year wasn't one of them. In the pandemic last year, it amazingly kept its earnings steady, which was very defensive given the poor results for some brick-and-mortar retailers.

It looks like some of Canadian Tire's cyclicality was smoothed out by stock buybacks. In the last five years, Canadian Tire reduced almost 16% of its outstanding share count. This speaks to the strength of the business for having free cash flow to buy back stock consistently.

Today, the discounted dividend stock yields almost 2.5% and could appreciate about 18% over the next 12 months. Its dividend has strong coverage with a payout ratio of about 20% based on the trailing-12-month free cash flow.

A tech stock that could make you wealthy

Are you feeling adventurous? Then explore **Converge Technology Solutions** (TSX:CTS) and consider allocating a portion of your capital to the high-growth tech stock.

So far, Converge has been executing its M&A growth strategy very well. In fact, it has gone so smoothly that the tech stock has skyrocketed since it began trading on the TSX Venture Exchange. If the company continues to execute as it has, the growth stock is poised to set new highs.

The tech stock's growth strategy is straightforward. Since 2017, it has acquired more than 20 companies, building a diverse IT offering — advanced analytics, cloud, cybersecurity, managed services, etc. Converge's subsidiaries are then able to access its volume discounts from key vendors, which improves the EBITDA generation from the subsidiaries that were already profitable before acquisition.

Converge caters to the IT needs of mid-market clients, many of which have underinvested in digitizing — sometimes not knowing which are the best-fitting IT solutions for their firm. Converge has filled the knowledge gap by providing technical workshops that illustrate the potential and benefits of deploying new IT solutions. These workshops have helped significantly in cross-selling its products and services.

The small-cap stock could accelerate the growth of your overall portfolio with its expansion plans in North America and Europe.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:FTS (Fortis Inc.)

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