3 Canadian Stocks to Invest $3,000 in Right Now

Description

While the COVID-19 pandemic remains a concern, easing restrictions, steady economic growth, recovery in corporate earnings, and higher demand will likely drive Canadian stocks higher in the medium to long term.

As the operating environment improves, let's dive into three Canadian stocks that I believe have the potential to deliver higher returns and outperform the broader markets by a significant margin.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is set to deliver solid returns in the coming years on the back of the ongoing economic recovery in North America. Thanks to its leadership position in the domestic market, Royal Bank of Canada is expected to gain big from the strengthening of the economy, an uptick in credit demand, and lower provisions.

Its diversified revenue base and resilient earnings will likely support its growth. Further, growing loans and deposit volumes, improved credit quality, lower allowances for credit losses, strong capital position, and operating leverage will likely accelerate its growth.

Thanks to its high-quality earnings base, Royal Bank of Canada has raised its dividends at a CAGR of 8% since 2010. Further, improving operating environment and expansion of volumes suggest that it could continue to enhance shareholders' value through higher dividend payments.

goeasy

Subprime lender **goeasy** (TSX:GSY) has consistently outperformed the broader markets over the past several years due to its profitable growth. Further, I expect goeasy to deliver stellar returns on the back of the ongoing momentum in its business. To give a bit of context, goeasy's revenues have a CAGR of 12.8% since 2001. Furthermore, its adjusted earnings have increased at a CAGR of 31% in the last 19 years, which is incredible.

Looking ahead, I expect its revenues and earnings could continue to grow rapidly. Increased economic activities, higher credit demand, new product launches, channel expansion, and the LendCare acquisition will likely accelerate its growth rate. Further, its point-of-sale and digital platforms are expected to drive new customers.

goeasy expects gross consumer loans portfolio to reach $3 billion by 2023, while solid credit performance, increased penetration of secured loans, and improved efficiency will likely drive its adjusted operating margin higher. goeasy has consistently paid higher dividends, and I expect the trend to sustain due to its growing earnings base.

Shopify

Like goeasy, **Shopify** (TSX:SHOP)(NYSE:SHOP) stock has created a significant amount of wealth for its shareholders. Further, I expect this e-commerce giant to continue outpacing the benchmark index in the coming years without letting its investors down. Irrespective of the moderation in its growth rate owing to the economic reopening and expensive valuation, I maintain a bullish outlook on Shopify due to its dominant market position and ability to capitalize on secular industry trends.

I expect Shopify to continue attracting merchants on its platform by adding new sales and marketing channels, including partnerships with top retailers and social media companies. Moreover, its strong fulfillment network and strengthening of product base augur well for growth.

Overall, Shopify's growing international footprint, increased adoption of its payment solutions, growth in merchant base, and new product launches will likely drive its stock higher. Also, strong operating leverage will likely support its margins.

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:GSY (goeasy Ltd.)

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5. TSX:SHOP (Shopify Inc.)

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