



My 2 Top Canadian Stock Picks for 2022

Description

With just a few more trading weeks left in the year, many big-league firms and pundits are serving up their top Canadian stock picks for 2022. In this piece, we'll have a look at two names that have endured a rocky road through most of 2021, but have a stage set for a potential bounce back in the new year on the back of compelling [catalysts](#) that may be underrated or underestimated by the average investor or analyst.

TSX stock picks with stellar risk/rewards for 2022

Undoubtedly, my two top TSX stock picks seem [timely](#), but are best suited for long-term investors who are willing to average down on any broader market weakness. While the fundamentals are intact with a share price that I believe is below what it should be, it remains hard to tell when such names will begin to outpace the broader **TSX Index**. So, while the two names I'll bring to your attention in this piece sport a solid risk/reward for 2022, investors should be looking to hold for at least three years, given it could take a while before each firm's growth catalysts are fully respected by investors.

Consider shares of **Alimentation Couche-Tard** ([TSX:ATD](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). The two Canadian stocks boast among what I believe are the best bargains going into January 2022, but could have the potential to outrun the TSX for many years.

Top Canadian Stock #1: Alimentation Couche-Tard

Alimentation Couche-Tard is the Quebec-based global convenience store retailer that recently got its dual shares converted into one single stock under the ticker symbol ATD. Shares of ATD.B got converted to class A versions of the stock (ATD) on a one-to-one basis.

Indeed, it was a long time coming for Couche-Tard. And while the company may be more exposed to external influences, like activists, investors need not worry, as I do believe that the current management team is on the right track. Moving forward, the results will speak for themselves, as the company looks to shift and pivot its business to keep up with the new age. Undoubtedly, Couche-Tard

is experimenting with frictionless technologies and other initiatives to better thrive in an environment where the convenience factor will be as crucial as ever.

In time, EV charging stations will gradually replace fuel stations. But for now, expect the firm to shift progressively to meet a wide range of consumer needs. Although it would be nice if Couche-Tard gave more clarity on its M&A strategy after the last two major proposed deals fell through (Caltex and Carrefour), I do think patient investors will be rewarded with solid returns on a risk-adjusted basis. The firm is taking a slow and steady approach to stay relevant in the new age. At 15.6 times earnings (on the low-end of the historical range on a P/E basis), ATD stock is a magnificent bargain in my books. Rest assured, Couche is in some excellent hands, even in the face of disruption.

Top Canadian Stock #2: Bank of Montreal

Bank of Montreal has really flexed its muscles over the past year, outpacing many of its banking peers this year, with around 46% returns year to date. Despite the incredible rally, the stock still trades at 12.1 times trailing earnings, meaning BMO can support itself with robust earnings growth. As COVID disruptions wind down in 2022, BMO is a winner that I believe will keep on winning.

The bank hiked its dividend by a jaw-dropping 25%, not just to draw investors away from its peers, but because management is confident in the bank's prospects going into a new year. Although BMO stock may not be the "cheapest" or boast the largest yield, I do think it has the means to hike its dividend by the largest amount over the next five years, as we're finally propelled into a rising-rate environment.

With a share buyback plan (like its peers), an incredible quarterly result fresh in investors' minds, and a juicy 3.8% yield, BMO stock is the best bank for my buck for 2022 and beyond.

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2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:BMO (Bank Of Montreal)

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