



My Top 3 TSX Stock Picks for 2022

Description

TSX stocks have had a decent run, gaining almost 20% this year. While Omicron fears certainly pose a risk in the short term, equities will likely continue to trade higher next year. Here are three top TSX stocks for 2022.

Air Canada

The recent weakness in **Air Canada** ([TSX:AC](#)) stock is indeed eye-catching for discerned investors. I expect superior revenue growth from the flag carrier next year, which will help lower its cash burn. It will likely be a great recovery story post-pandemic, driven by its strong balance sheet and returning demand.

Air Canada has \$8.7 billion in cash and short-term investments, which acts as padding if the pandemic-driven weakness lasts longer. Before Omicron dominated, the flag carrier management was confident of the air travel demand recovery. Accordingly, it announced an increase in operating capacity for Q4 2021 relative to last year.

According to the International Air Transport Association, the industry is [expected](#) to continue reporting losses next year as well. However, the losses will likely narrow relative to 2021 amid increasing number of travellers. Air travel demand, as measured by revenue-passenger kilometres, will likely increase to 61% next year compared to pre-pandemic levels.

AC stock has fallen 60% from its pre-pandemic highs and about 15% this year. It looks like a decent bargain pick at the current levels.

Tourmaline Oil

Canada's largest natural gas producer **Tourmaline Oil** ([TSX:TOU](#)) is my second pick for 2022. Higher natural gas prices notably boosted its earnings this year, which pushed its stock 130% higher this year. The supporting energy commodity price environment will likely remain next year, delighting

shareholders once again.

Tourmaline Oil [reported](#) record free cash flows in 2021, driven by increasing demand. In October, it paid a special dividend to transfer excess cash to shareholders.

Interestingly, the company expects to do another special early next year if gas prices remain elevated. Apart from increasing shareholder returns, these cash distributions indicate the company's strong liquidity position and management's confidence in its future earnings.

A \$14 billion Tourmaline is a low-cost producer with operations in the Alberta deep basin, NEBC Montney, and Peace River Triassic oil. It plans to produce 500,000 boepd of natural gas next year, which is marginally higher than 2021.

Nuvei

Canada's fast-growing fintech stock **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) looks appealing mainly after its steep decline of late. It provides an integrated payment-processing platform that supports over 500 payment methods, 150 currencies, and 40 cryptocurrencies.

[High-growth](#) tech stocks generally trade at a premium valuation. That's because their earnings growth is higher than average. They have a higher profit margin and a large, growing addressable market. This totally applies to Nuvei. Its revenues have jumped from US\$124 million in 2017 to US\$627 in the last 12 months, a handsome CAGR of 50%.

The company expects a decent 30% annual growth in the medium term. The financial growth will likely effectively seep into its stock going forward as it has in the past.

I think NVEI stock should stabilize from the fall now after the short-seller attack. Significant earnings-growth potential and a relatively cheaper valuation make it a strong bet for long-term investors.

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2. TSX:AC (Air Canada)
3. TSX:NVEI (Nuvei Corporation)
4. TSX:TOU (Tourmaline Oil Corp.)

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