Top High-Growth Canadian Stocks to Buy in 2022

Description

Though markets have been trading close to record levels, some TSX stocks are still trading way below their fair values. Here are three Canadian stocks of them that could outperform next year.

Suncor Energy

Canada's largest oil sands producer **Suncor Energy** (TSX:SU)(NYSE:SU) notably underperformed peers in 2021. Despite increasing dividends and a massive earnings recovery, SU stock returned 50% in 2021, against its peers' average of 85%.

However, 2022 could reverse the trend, as valuation plays a crucial role. Also, higher contribution from Suncor's downstream operations on re-openings should drive its earnings higher. Higher oil and gas prices might also notably increase its free cash flow growth into 2022.

SU stock currently yields 5.6%, higher than peers. Superior free cash flow growth in 2021 allowed the company to double shareholder payouts and repay a significant portion of the long-term debt. Will it deliver another generous dividend hike in 2022 remains to be seen.

If oil and gas prices remain higher next year, energy giants like Suncor could see earnings expand and create more value for shareholders.

Intact Financial

Intact Financial (TSX:IFC) is Canada's leading property and casualty insurance company, with a leading 21% market share. Though it lagged markets and returned a mere 10% in 2021, Intact stock has notably outperformed in the longer term.

Intact has managed superior financial growth, beating peers in the last decade. Its revenues have grown 12% CAGR, and earnings have swelled by a handsome 14% CAGR in the last 10 years. Its five-year average return on equity is at 11.3%.

With an already dominating market share in Canada, Intact Financial now has an extensive presence in the United Kingdom and Ireland due to the RSA acquisition. Its in-house claim expertise and scale drove its above-average financial growth all these years. Of the $20 billion annual premiums Intact generates, 66% comes from Canada, 25% comes from U.K. and Ireland, and the rest comes from the U.S.

Intact has increased dividends every year since 2004 and currently yields 2.3%. If you are looking for low-risk, stable returns over a long period, Intact could be an apt pick.

BRP

Revenge shopping and travel could lead to increased consumer discretionary spending amid full re-openings next year. And one of the beneficiaries of that trend could be recreational vehicle maker **BRP** (TSX:DOO)(NASDAQ:DOOO).

Can-Am and Sea-Doo maker BRP already saw encouraging demand growth when travel restrictions somewhat waned in the last few quarters. Moreover, its recent launch Sea-Doo Switch has already garnered a strong interest among customers. The company expects Switch could be the game changer in the fast-growing pontoon segment.

BRP management sees 67% to 81% normalized earnings growth for fiscal 2022 against 2021. The stock is currently trading 11 times its earnings and looks undervalued relative to the historical average. Also, such a steep growth at the discounted valuation looks like a steal.

BRP operates in a niche Powersports vehicle market in more than 130 countries. It has returned 350% in the last five years, notably beating the broader markets.

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