TSX Stocks: Where to Invest $10,000 in 2022

Description

Canadian markets exhibited a solid recovery and rallied 20% last year. However, if you feel that it's too late and missed the bus, that's not true. Many TSX stocks still have some steam left and could continue to outperform this year as well. Here are three Canadian stocks to buy in 2022.

Air Canada

While many have suggested avoiding travel stocks, I have been positive about **Air Canada** (TSX:AC), mainly after its recent pullback. Omicron poses a threat in the short term, but it might not halt travel substantially like it did in mid-2020.

AC stock has already suffered enough, and the downside from here looks limited. Solid revenue recovery and less cash burn could be some of the key growth drivers for the stock this year.

In the latest reported quarter, the flag carrier reported 178% topline growth relative to the same quarter in 2020. The steep rise indicates air travel demand recovery amid loosening travel restrictions. Plus, it has one of the strongest balance sheets among global peers, which could fund its growth plans in the post-pandemic period.

Apart from the revenue growth, Air Canada also turned net cash positive in Q3 2021. The trend could continue post Omicron scenario and drive the air carrier towards profitability.

AC stock largely traded within the $20-$30 range last year. It is still trading at the lower end of this range and looks poised to rise towards the higher end in 2022.

Dollarama

The discount retailer **Dollarama** (TSX:DOL) is my second pick for 2022. It returned 22% last year and 100% in the last five years. The company looks well placed to deliver superior financial growth with an aim to increase the store count in the next few years.

It already operates 1,397 stores in Canada, way higher than its peers. The store count is expected to increase to 2,000 in the next decade.

Long-standing relationships with low-cost suppliers offer a unique value proposition to customers, which makes Dollarama stand tall among its peers. Dollarama could see increased footfall amid re-openings and increasing inflation this year.

Canada is still an under-penetrated market in terms of retail stores when compared to the U.S. So, geographical expansion will be key for Dollarama in the long term.

DOL stock is currently trading at its all-time high and looks a tad expensive. Keep it on your watchlist, and consider buying on dips.

Vermilion Energy

Don't overlook energy in 2022! The sector will likely continue to rise on higher oil and gas prices amid re-openings.

Last year's energy champion **Vermilion Energy** (TSX:VET)(NYSE:VET) looks attractive for 2022. It has risen 180% last year and is still trading at a discounted valuation.

Vermilion Energy generates half of its earnings from natural gas, and the other half comes from natural gas liquids and crude oil. It reported a net income of $804 million in the first nine months of 2021. In the same period of 2020, Vermilion posted a net loss of $1.46 billion.

The company could see significant free cash flow growth this year, which will likely resume shareholders' dividends.

Apart from dividends, excess cash could also be used to improve balance sheet strength. All in all, if oil and gas prices remain higher, Vermilion could keep on rewarding shareholders in 2022 as well.

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