3 Top TSX Stock Picks for 2022

Description

The year that was 2021 was a pretty decent one for top TSX stocks. Though the COVID-19 variant continued spreading and mutating, economic growth continued, spurring higher valuations in the stock market. For growth stocks, this was a great year.

However, 2022 is already shaping up to be a bit of a different animal. Central Banks around the world are dialing back stimulus, as inflation surges. Thus, a rotation toward defensive stocks is underway.

For those looking for top defensive stocks with a tilt toward growth, here are three of my top picks for 2022.

Top TSX stocks: Restaurant Brands

One of my top overall picks in the market in general continues to be **Restaurant Brands** (TSX:QSR)(NYSE:QSR). The parent company of Popeyes Louisiana Kitchen, Tim Hortons, and Burger King, Restaurant Brands's business model is about as defensive as it gets. Barring any sort of additional lockdown measures, this quick-service restaurant conglomerate is likely to do well in all markets (inflationary or not).

The company's recent earnings highlight this view. During the third quarter, Restaurant Brands was able to grow its top and bottom lines materially. Notably, underperforming banner Tim Hortons saw system-wide sales growth of 11.1%. Burger King and Popeyes each put out (predictably) solid results as well.

Additionally, Restaurant Brands made a big splash in acquiring the Firehouse Subs chain in November for $1 billion. While a relatively small deal, this acquisition further diversifies the company's business. Approximately 1,200 locations and $1.1 billion in system-wide sales will be added as a result of this deal.

Overall, there's a lot I like about how QSR stock is positioned right now. This is a stock that should be on every investor's radar.

Fortis

As far as defensiveness goes, **Fortis** (TSX:FTS)(NYSE:FTS) has to remain a top pick for investors. This low-beta company provides extremely defensive cash flows, courtesy of the company's core utilities business. No matter what the economy does, Fortis is going to print money — that is, until all its customers turn off their heat and shut the lights off.

This highly defensive business model has allowed Fortis to boast one of the best dividend-growth track records in Canada. For 48 years, Fortis has consistently raised its dividend. That's legendary status, as far as dividend growth goes, for any company in any market.

Fortis's base rate is expected to rise to nearly $42 billion by 2026, driving further earnings and dividend growth. This is a long-term holding every Canadian investor should consider right now.

Shopify

Finally, we have to talk about **Shopify** (TSX:SHOP)(NYSE:SHOP). Perhaps the least-defensive pick on this list, Shopify is a company that's not short on growth. That's putting it mildly.

Shopify has been one of the best growth stocks in the universe since its IPO less than a decade ago. The company's 25% gain last year once again bested the TSX and provided a strong thesis for growth bulls to stay invited in this stock.

As a key purveyor of e-commerce software solutions for small- and medium-sized businesses, Shopify's long-term growth prospects remain intact. This company's valuation multiple has also come down meaningfully, providing those taking a long-term view on this stock with a sustainable investment thesis right now.

CATEGORY

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2. NYSE:QSR (Restaurant Brands International Inc.)
3. NYSE:SHOP (Shopify Inc.)
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chrismacdonald