
15 Top Stock Picks for 2022

## Description

Here are some of our favourite stock ideas for the year.



- Shopify
- Mercer International
- Manulife
- MDA
- Lightspeed Commerce
- Vermilion Energy
- goeasy
- BRP
- Bank of Nova Scotia
- Barrick Gold
- Algonquin Power
- Nuvei
- Royal Bank of Canada
- Savaria
- Galaxy Digital Holdings

## Shopify

**What it does:** The company's platform allows small businesses to sell their products online.

The ability to buy **Shopify** (TSX:SHOP) has seemed like a far off-dream for many investors over the past two years. Share prices soared way too high for many to even consider it. However, the recent pullback in tech stocks has given us an opportunity that is, frankly, far too great to pass up.

Shopify continues to trade down 35% from all-time highs, with analysts giving it a consensus target price of $1,965. This comes from the company's strong business model, supported by stellar growth in its key metrics. Merchants continue to flow to Shopify, especially with a new app that allows users to find new merchants by searching for products.

With Shopify payments, fulfillment centres, and more, the company managed to outpace some of the biggest e-commerce companies, even as supply-chain demands threatened growth. The last year has proven Shopify can withstand the pressure, even as fearful investors drop the tech stock.

## Mercer International

**What it does:** The company owns and operates wood pulp mills.

**Mercer International** (NASDAQ:MERC) is a small-cap stock with consistent financials and low valuation multiples. With a market cap of $772 million, MERC currently has some great valuation metrics, including a EV/EBITDA of 4.92, P/E of 9.36, a forward P/E of 8.25, a P/S of 0.46, and P/B of 1.24.

Fundamentals are solid, with a ROA of 6.81%, ROE of 14.17%, operating margin of 13.84%, and profit margin of 4.96%. The balance sheet is healthy, with a current ratio of 3.71 and $338 million in cash on hand. The company also pays a respectable dividend, with a yield of around 2.21% and a sustainable payout ratio of 20.63%.



MERC is currently trading at $11.93, or 34% off its 52-week high of $18.14. With 39% of the available share float held by insiders, it's a strong bet that management thinks the company is undervalued.

## Manulife

**What it does:** This is one of Canada's largest life insurance companies.

High inflation could make value stocks that provide high yields and dividend growth — such as **Manulife** (TSX:MFC) — more popular in 2022. Moreover, the life and health insurance company should also benefit from rising interest rates.

Manulife has persistently underperformed, but its earnings since 2012 have improved in stability. If it continues to execute and grow its earnings at a single-digit rate, the dividend stock could break out of the low-valuation spell.

Investors get a 5% yield and a growing dividend for their patience.

## MDA

**What it does:** The company makes products for the space industry.

Little-known Canadian spacetech company **MDA** (TSX:MDA) provides robotics and satellite data services to corporate and government clients across the world. The company's geointelligence services help shipbuilders monitor the progress of their projects and assist coast guards in preventing illegal fishing or smuggling. Meanwhile, long-term projects, such as the Canadarm3 on the lunar gateway and the Telesat Lightspeed satellite internet project, should bolster the company's top line in the years ahead. In 2022, the MDA team is targeting revenue of $750 million to $800 million, which would imply that the stock is currently trading at a forward price-to-sales multiple of 1.4-1.5. Keep an eye on this moonshot.

## Lightspeed Commerce

**What it does:** Lightspeed's commerce software helps businesses grow.

Now is the time to be investing in high-growth tech stocks. Many top tech companies are coming off subpar years in 2021 and are trading at very opportunistic discounts right now. And that certainly includes **Lightspeed Commerce** (TSX:LSPD).

Shares of the $7 billion tech stock were down more than 40% last year. In comparison, the S&P/TSX Composite Index was up over 20%. But even with the selloff, long-term Lightspeed shareholders have been well rewarded. Shares are up a market-crushing 160% since the company went public in 2019.



The tech stock may have had an off year in 2021, but business continues to soar for Lightspeed. Year-over-year quarterly revenue growth came in at 220% in the company's fiscal 2022 Q1 and was just shy of 200% in Q2.

If you're looking to add some growth to your portfolio in 2022, this tech stock should be near the top of your watch list.

## Vermilion Energy

**What it does:** The company produces oil and natural gas.

The energy sector is in tremendous shape this year, after having a blockbuster year in 2021. One TSX energy stock that looks attractive is **Vermilion Energy** (TSX:VET). Rallying oil prices will likely fuel Vermilion's free cash flow growth this year, facilitating higher shareholder payouts and debt repayments.

Vermilion sees its dividends resuming in 2022 if energy commodity prices remain supportive. Continued strength in oil and gas prices should improve its balance sheet strength.

Superior financial growth drove VET stock 175% higher in the last 12 months. Still, it is trading for 4 times its earnings and looks discounted. Attractive valuation and strong earnings prospects will likely provide a huge runway for Vermilion stock in 2022.

## goeasy

**What it does:** goeasy is a financial services company that makes loans for items such as furniture and appliances.

We're bullish on **goeasy** (TSX:GSY) for 2022 and beyond. This subprime lender continues to grow rapidly and has consistently delivered profitable growth over the past several years. Looking ahead, goeasy could continue to deliver strong financials on the back of higher loan origination, new product launches, and omnichannel offerings.

Furthermore, acquisitions, increased penetration of secured loans, strong payment volumes, and operating leverage will cushion its earnings and support the uptrend in its stock.

Besides capital appreciation, goeasy will continue to enhance its shareholders' returns through higher dividend payments. Thanks to its strong earnings base, goeasy has raised dividends for seven years in a row and is positioned well to grow its dividends further in the coming years.

## BRP



**What it does:** The company makes snowmobiles and personal watercraft under the Ski-Doo and Sea-Doo brands.

With tech stocks hitting a major wall in 2022, other growth sectors might start to outperform. **BRP** (TSX:DOO) is a top growth-at-a-reasonable-price stock. It is a brand-leading manufacturer and distributor of recreational vehicles across the world. This stock has delivered a 285% return over the past five years. It has grown earnings per share by a compounded annual growth rate of 25%!

Yet BRP stock only trades with a price-to-earnings ratio of 10. The company generates a tonne of free cash flow, and it has quickly been reducing its share count. New manufacturing capacity and an innovative product line up should help propel strong results in 2022.

## Bank of Nova Scotia

**What it does:** BNS provides financial services such as personal and commercial banking.

It's expected that interest rates will rise this year. If that happens, it could result in a correction for growth stocks. However, other industries, like the banking industry, are known to outperform during periods of high interest rates. This is often because banks see greater profit margins in high-interest environments.

Aside from the potential change to interest rates, **Bank of Nova Scotia** (TSX:BNS) can also generate a lot of growth from its international business. The company is Canada's most international bank and is well positioned to grow in developing markets over the coming years.

## Barrick Gold

W**hat it does:** Barrick is one of the largest gold producers in the world.

In 2022, the threat and realities of inflation loom large. **Barrick Gold** (TSX:ABX) can help investors hedge this risk. Barrick is the largest gold stock with a market capitalization of $43 billion. It's also the one that's most well-known among investors. This translates into Barrick being the stock of choice for gold exposure.

So, if the market gets shaky this year, it should mean solid gains for the price of gold and for gold stocks like Barrick. In the U.S., inflation is at 40-year highs. This will result in a weak and falling U.S. dollar. If the U.S. dollar won't be a good store of value anymore, investors will look elsewhere — namely, at gold, which has always been an excellent store of value. Hence, Barrick Gold makes for an excellent stock pick today.

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## Algonquin Power

**What it does:** The company generates, transmits, and distributes power in Canada and the U.S.



**Algonquin Power** (TSX:AQN) looks oversold right now and could deliver solid total returns for investors in 2022.

The company is in the process of making a large acquisition that will increase the customer base by 19%, the rate base by 32%, and the size of the distribution and transmission infrastructure by 37%. The purchase of Kentucky Power is expected to close around the middle of 2022.

Algonquin Power recently announced a US$12.4 billion capital program for 2022 to 2026. This should support steady revenue growth, and management expects adjusted net earnings per share to increase by 7% to 9% over the next five years.

Algonquin Power has increased the dividend by 10% annually for the past decade. The stock currently provides a 5% dividend yield.

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## Nuvei

**What it does:** The company provides payment solutions to merchants around the world.

**Nuvei** (TSX:NVEI), Canada's largest private, non-bank payment processor, had a hard time in December after short-seller Spruce Point Capital released a report attacking the company's management, which sent shares down 40% in only one day. Nuvei responded the report accusations weren't justified.

Shares of Nuvei have jumped recently after the company announced a partnership with Web3 platform Flow for NFT purchases. Analysts remain convinced that the future belongs to these payment platforms. Nuvei now occupies a strong position in this market, with an incredible international presence. The stock is still quite weak from 52-week highs and analyst consensus estimates.

Investors should take advantage of the weakness in Nuvei stock to buy more shares. The stock has a forward P/E ratio of 28.65, which is low for a tech stock.

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## Royal Bank of Canada

**What it does:** This is Canada’s largest bank.

In times when interest rates are rising, there are few stocks better to hold than banks. Higher interest rates reduce the value of explosive future growth (small-cap tech), while increasing the financing costs of capital-intensive value stocks (utilities).

Banks like **Royal Bank of Canada** (TSX:RY) are among the few assets that can do well in such an environment. Banks often enjoy higher profit margins on loans when interest rates rise. That, in turn, can lead to higher earnings.

The above is true of all banks. So, why RY specifically? It comes down to stability. RY is Canada’s biggest bank and one of the oldest. It hasn’t missed a single dividend payment in about 150 years. That’s a track record you can trust. But even with all that stability, RY doesn’t want for growth. In its most recent quarter, it grew net income by 40% and EPS by 41%. Also, the 3.3% dividend yield doesn’t hurt.



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## Savaria

**What it does:** Savaria makes mobility equipment such as stair lifts, wheelchair lifts, and van conversions.

Quebec-based **Savaria** (TSX:SIS) provides accessibility solutions for elderly and physically challenged people in Canada and around the globe. The accessibility and mobility market are geared up for big growth due to a rapidly aging population in Canada and the rest of the developed world.

Shares of Savaria are trading in favourable value territory at the time of this writing. In Q3 2021, the company delivered revenue growth of 99% to $180 million. Meanwhile, adjusted EBITDA jumped 55% to $26.3 million. Better yet, this stock offers a monthly dividend of $0.042 per share, or a 2.7% yield.

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## Galaxy Digital Holdings

**What it does:** Galaxy is a financial services company dedicated to digital assets and blockchain technology.

With all the long-term potential that the cryptocurrency industry has, it’s worth allocating a small portion of your portfolio to it. And the earlier you can find high-quality companies in the space, the better you’ll set yourself up for long-term growth.

We like **Galaxy Digital Holdings** (TSX:GLXY). Galaxy is a financial services company perfectly positioned to grow off of both the growth of retail investors and institutional investors in the space.

Its five segments offer diversification as well as more opportunities for growth, and we like the company's management team. Crypto can be volatile in the short term, but in the long run, it offers significant potential, and Galaxy Digital is one of the best stocks in the industry.

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2. Top TSX Stocks

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1. pitch-general

**TICKERS GLOBAL**

1. NASDAQ:DOOO (BRP Inc.)
2. NASDAQ:NVEI (Nuvei Corporation)
3. NYSE:AQN (Algonquin Power & Utilities Corp.)
4. NYSE:B (Barrick Mining)
5. NYSE:BNS (The Bank of Nova Scotia)
6. NYSE:LSPD (Lightspeed Commerce)
7. NYSE:RY (Royal Bank of Canada)
8. NYSE:SHOP (Shopify Inc.)
9. NYSE:VET (Vermilion Energy)
10. TSX:ABX (Barrick Mining)
11. TSX:AQN (Algonquin Power & Utilities Corp.)
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13. TSX:DOO (BRP Inc.)
14. TSX:GLXY (Galaxy Digital)
15. TSX:GSY (goeasy Ltd.)
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17. TSX:MDA (MDA Ltd.)
18. TSX:MFC (Manulife Financial Corporation)
19. TSX:NVEI (Nuvei Corporation)
20. TSX:RY (Royal Bank of Canada)
21. TSX:SHOP (Shopify Inc.)
22. TSX:SIS (Savaria Corporation)
23. TSX:VET (Vermilion Energy Inc.)



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