3 Stocks to Buy as Inflation Touches 40-Year Highs

Description

Yesterday, the Labor Department in the U.S. reported that the consumer price index for January rose 7.5% year over year, which was the highest level in the last four decades. Comparatively, the Dow Jones forecast the CPI to rise by 7.2% in the last month.

According to investment mogul Warren Buffett, companies with the ability to easily increase prices will thrive in an inflationary environment. So, you need to invest in businesses with pricing power.

Loblaw

A food and pharma giant, **Loblaw** (TSX:L) is one of the largest retail companies in Canada, trading at an enterprise value of $48 billion. In the last 10 years, the stock has gained close to 300% after adjusting for dividends.

In Q3 of 2021, Loblaw sales were up 2.4% year over year at $16.05 billion. Comparatively, its operating income rose over 20% to $863 million while adjusted EBITDA soared by 10% to $1.64 billion.

The company experienced strong demand in stores as well as online as economies re-opened and elevated eat-at-home trends. While Loblaw invested $330 million in capital expenditures, it derived $455 million in free cash flow in Q3 of 2021.

Loblaw stock remains attractively valued and is trading at an enterprise value to sales multiple of less than one. Further, its forward price-to-2022 earnings multiple is also reasonable at 17.4 times, as the company is forecast to increase earnings at an annual rate of 19% in the next two years.

Barrick Gold

Gold has been historically viewed as a hedge against inflation making mining stocks such as **Barrick Gold** (TSX:ABX)(NYSE:GOLD) a top bet. The company's gold production in 2021 stood at 4.4 million ounces while copper production stoat 415 million pounds.

What should interest investors is that Barrick expects all-in sustaining costs per gold ounce to decline between 4-6% in Q4 of 2021, on a sequential basis while cash copper costs are likely to fall by double-digit percentages.

The company continues to increase shareholder wealth and returned $1.4 billion to investors in 2021. Analysts tracking ABX stock remain bullish and expect it to return close to 50% to investors in the next year.

Suncor

The final stock on my list is **Suncor** (TSX:SU)(NYSE:SU), which is one of the largest energy companies in Canada. Due to a steep rise in oil prices, Suncor stock has already gained 65% to investors in the last year. It also offers you a tasty dividend yield of 4.6% making Suncor attractive to the income investor.

In Q4 of 2021, Suncor's adjusted funds from operations rose by 11% to $2.17 per share. The oil sands generated $2.2 billion in FFO with an average realization of $87 per barrel. Suncor's operating costs for its oil sands stood at $25.9 per barrel in 2021, allowing it to expand its adjusted earnings to $2.56.

Analysts expect Suncor to report adjusted earnings of $4.34 per share in 2022, valuing it at a price-to-earnings multiple of 8.5, which is really cheap. Suncor's robust cash flows in the last year allowed the company to return $4 billion to shareholders and repay $4 billion of debt.

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