
13 Top TSX Stocks to Buy in May 2022

### Description

Every month, we ask our freelance writer investors to share their best stock ideas with you. Here's what they said.

[Just beginning your investing journey? Check out our guide on how to start investing in Canada.]



## 13 Top TSX Stocks for May 2022 (Smallest to Largest)

1. WELL Health Technologies (TSX: WELL), $988 million
2. Tamarack Valley Energy (TSX: TVE), $2.1 billion
3. BMO Equal Weight Banks Index ETF (TSX: ZEB), net assets $2.8 billion
4. Canadian Western Bank (TSX: CWB), $2.9 billion
5. Descartes Systems Group (TSX: DSG), $6.8 billion
6. TMX Group (TSX: X), $7.1 billion
7. ARC Resources (TSX: ARX), $11.8 billion
8. Algonquin Power & Utilities (TSX: AQN), $12.8 billion
9. Tourmaline Oil (TSX: TOU), $21.2 billion
10. Fortis (TSX: FTS), $30.4 billion
11. Alimentation Couche-Tard (TSX: ATD), $59 billion
12. Canadian National Railway (TSX:CNR), $109.7 billion
13. Enbridge (TSX: ENB), $114.5 billion)

(MARKET CAPS AS OF APRIL 27, 2022)

## Why We Love These Stocks for Canadian Investors

### WELL Health Technologies

What it does: WELL Health is a digital health company that also operates a network of outpatient medical clinics.

By Sneha Nahata: My top stock pick for May is **WELL Health Technologies** (TSX:WELL). The company continues to deliver stellar sales growth and has posted positive adjusted EBITDA over the past several quarters. Despite the economic reopening following the pandemic, WELL Health continues to benefit from higher omnichannel patient visits. What's more, shares are cheap today thanks to the recent selloff in high-growth tech stocks.

Given the ongoing momentum in its business, WELL Health expects to deliver profitable growth in 2022, which is encouraging. Its diversified offerings, focus on opportunistic acquisitions, strength in the U.S. segment, higher patient visit volumes, and extensive network of outpatient medical clinics bode well for growth — and investors.

*Fool contributor Sneha Nahata has no position in WELL Health Technologies.*

## Tamarack Valley Energy



What it does: The company produces oil and gas.

By Robin Brown: **Tamarack Valley Energy** (TSX:TVE) stock is up 29% in 2022 alone. Yet, I think there could be further upside for shareholders this year. It is a mid-cap oil and gas producer that operates in some of the most economic and efficient plays in Western Canada.

The company has a free cash flow breakeven at US$35 per barrel. At ~US$100, this stock is earning an insane amount of cash.

Tamarack just increased its dividend for June by 20%. It also announced the potential for an enhanced dividend and/or share buyback in the second quarter. Despite its high-quality assets and rapidly improving balance sheet, this oil stock is cheap at only 4.8 times excess cash flow.

*Motley Fool contributor Robin Brown owns shares of Tamarack Valley Energy.*

## BMO Equal Weight Banks Index ETF

What it does: This exchange traded fund invests in Canadian banks.

By Amy Legate-Wolfe: The Big Six Banks prove over and over why they're a great investment: Investors enjoy protection during catastrophic economic events, strong share growth, dividends, and the peace of mind that the banks will probably be around for a good, long time.

Rather than investing in each one individually, I would choose the **BMO Equal Weights Banks Index ETF** (TSX:ZEB). You get the performance of the Big Six Banks, access to all their dividends, and the security of an ETF management team.

Right now you can pick up this ETF with a dividend yield of 3.3%, which should give your portfolio solid protection in today's volatile market.

*Fool contributor Amy Legate-Wolfe has no position in BMO Equal Weights Banks Index ETF.*

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## Canadian Western Bank

What it does: The bank's roots are in commercial lending to oil companies.

By Kay Ng: **Canadian Western Bank** (TSX:CWB) experiences greater volatility than its bigger banking peers … which means it offers investors a better value when oil prices dip.

At writing, the WTI oil price had fallen more than 4% on the day, breaking the US$100-per-barrel psychological threshold. Although Canadian Western Bank has reduced its loan exposure in Alberta over the years, it still has about 31% of its loans in the resource-rich province. Consequently, the bank stock dipped along with the price of oil.

I believe shares should be able to trade for about $40 again in the future. Investors in the meantime get a discount and a 3.7% yield.

*Fool contributor Kay Ng has no position in Canadian Western Bank*



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## Descartes Systems Group

What it does: Its software improves supply-chain logistics and productivity.

By Puja Tayal: My top stock pick for May is **Descartes Systems** (TSX:DSG). The tech stock has dipped almost 20% during the big industry selloff this year, but I think the shares are oversold and have significant upside as e-commerce and travel pick up seasonal speed in the second half of the year.

The war in Ukraine has disrupted the global supply chain and created a short-term bearishness in the stock. Yet airline and marine shipments are re-routing, and industries are seeking new suppliers. All this calls for supply-chain optimization, creating great opportunity for Descartes. As trade from alternate supply chains picks up, Descartes investors stand to profit.

*Fool contributor Puja Tayal has no position in Descartes Systems.*

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## TMX Group

What it does: TMX Group owns several investing markets, including the Toronto Stock Exchange and the TSX Venture Exchange.

By Tony Dong: My bull thesis for buying shares of **TMX Group** (TSX:X) has always been: "If you're going to invest in Canadian stocks, why not just buy the company that runs the Toronto Stock

Exchange?"

TMX Group stock has beaten the market since 1999, and the company has some excellent fundamentals, such as a 53% operating margin and 33% profit margin. Earnings rose 22% in the most recent quarter from a year earlier, and revenue grew 15%. It also has some very attractive valuation metrics, such as a P/E of 18.12, P/S of 7.35, P/B of 1.93, and EV/EBITDA of 8.05.

The stock is currently trading below its 52-week high of $145.69 with a beta of 0.62, making it significantly less volatile than the market. TMX Group yields 2.57%, and the company increased the dividend to $0.83 per share back on March 11.

*Fool contributor Tony Dong has no position in TMX Group.*

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## ARC Resources

What it does: ARC produces oil and gas.

By Vishesh Raisinghani: The energy crisis is still the theme for investors in the months ahead. Crude oil and natural gas are already trading at multi-year highs and could surge higher as Europe shuns Russian energy. Canadian producers like **ARC Resources** (TSX:ARX) are expected to plug the gap. The stock is already up 126% over the past year, yet it's still trading at just 13.5 times earnings. This upward trend could continue for the rest of 2022. Investors could also expect a surge in dividend payouts as the company's cash flows improve. Keep an eye on this opportunity in May.



*Fool contributor Vishesh Raisinghani has no position in ARC Resources.*

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## Algonquin Power & Utilities

What it does: The diversified energy company provides more than 1 million customer connections, mainly in the U.S. and Canada.

By Nicholas Dobroruka: My top pick in May is a dependable Dividend Aristocrat, **Algonquin Power** ( TSX:AQN).

The utility stock can lend your portfolio both defensiveness and passive income, as well as market-beating growth potential.

Shares of Algonquin Power are up a market-beating 45% over the past five years. And that's not even including the company's near-5% dividend yield, either.

I'm not expecting market volatility to end anytime soon. So any investor who's over-indexed in high-growth stocks (including myself!) would be wise to diversify a bit with a dependable utility stock like Algonquin Power.

*Fool contributor Nicholas Dobroruka has no position in Algonquin Power.*

## Tourmaline Oil

What it does: The company is Canada's biggest natural gas producer.

By Vineet Kulkarni: **Tourmaline Oil** (TSX:TOU) is set to report first-quarter earnings on May 4. The numbers will likely be far higher than last year, driven by natural gas' epic ascent this year. The shares have rallied 160% since last year, outperforming peer energy stocks.

Tourmaline's strong free cash flows might enable another special dividend or a quarterly dividend hike. The company is already sitting on a cash hoard, with superior earnings growth in the last few quarters.

The stock is trading at 10 times earnings, even after a steep rally. I think it can climb still higher given the expected solid earnings growth, currently undervalued share price, and supportive macroenvironment.

*Fool contributor Vineet Kulkarni has no position in Tourmaline Oil.*

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## Fortis



What it does: The company is a utility.

By Jed Lloren: Like many of my fellow authors', my top stock in May is a utility company. I believe you should look into **Fortis** (TSX:FTS) this month. The market continues to be volatile, and I prefer to stick with reliable companies during times like these. For those that aren't familiar, Fortis provides regulated gas and electric utilities to more than 3.4 million customers.

Fortis shouldn't experience any significant slowdown in its business in the coming months, so its revenue and earnings should remain stable. If anything, that's a good starting point for investors to consider.

*Fool contributor Jed Lloren has no position in Fortis.*

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## Alimentation Couche-Tard

What it does: The company is a global leader in the convenience store and gas station business.

By Stephanie Bedard-Chateauneuf: In the current volatile market, **Alimentation Couche-Tard** (TSX:ATD.B) looks like the perfect safe haven. This undervalued stock has stable earnings and double-digit growth, making it my top stock for May.

Couche-Tard shares are undervalued, trading at just 17.6 times earnings per share compared with 21.3 for the TSX. In the company's most recent quarter, net income increased by 25% — and this double-digit growth rate could be sustained as the global economy recovers from the pandemic.

Couche-Tard has been increasing its dividend annually for more than a decade. Its five-year dividend growth rate is 19%, which is high compared with the average dividend-growth stock. Couche-Tard has a forward dividend yield of 0.8%.

*Fool contributor Stephanie Bedard-Chateauneuf owns shares of Alimentation Couche-Tard.*

## Canadian National Railway

What it does: The railroad's tracks span Canada from coast to coast and extend south to the Gulf of Mexico.

By Jitendra Parashar: **Canadian National Railway** (TSX:CNR) is my top stock pick for May 2022. Its stock fell sharply after the company's first-quarter results missed analysts' estimates — even though CN Rail posted a 7.3% year-over-year rise in adjusted earnings for the quarter. Headwinds such as higher fuel costs, extreme winter conditions, the weak Canadian grain crop, and supply chain issues all affected the rail giant's results.

However, I consider most of these external factors temporary, which shouldn't affect CN Rail's long-term growth outlook. That's why I think dividend investors should consider taking advantage of the recent dip to buy the reliable stock at a bargain price.



*Fool contributor Jitendra Parashar has no position in Canadian National Railway.*

## Enbridge

What it does: Enbridge owns a vast pipeline network, along with Canada's largest natural gas distribution company.

By Karen Thomas: **Enbridge** (TSX:ENB) is one of Canada's leading energy infrastructure companies, transporting and distributing oil and gas in its extensive North American pipeline system. It's my top pick for May for a few reasons: rising oil and gas prices, rising dividends, and its current 6% dividend yield. Basically, Enbridge is firing on all cylinders, yet the stock price still does not reflect this, in my view.

Looking ahead, Enbridge should continue to benefit from the increasingly bullish natural gas market, which is opening up to the global market through increased liquefied natural gas (LNG) exports as well as natural gas by-product exports.

*Fool contributor Karen Thomas owns shares of Enbridge.*

By Andrew Button: My top stock for May is **Enbridge** (TSX:ENB).

Energy stocks were the big winner in the first quarter, but in the last weeks of April, oil prices started to drop. It's possible that the party is coming to an end. A pipeline stock like Enbridge is a perfect play if you want to invest in energy but aren't sure prices will keep rising. Unlike integrated energy companies, pipelines don't lose money when oil prices go too low. In 2020, when integrated companies such as **Suncor Energy** (TSX:SU) posted negative earnings, Enbridge merely posted a slight decline in earnings. This is typical of pipelines, which are somewhat sensitive to oil prices but not as much as integrated oil companies are. So, Enbridge is a solid pick for this late stage of the oil rally, when continued price gains are much less certain than they were before.

*Fool contributor Andrew Button has no position in any of the stocks mentioned.*

## How to Invest in These Top Canadian Stocks

If you're new to investing, please read our beginner's investing guide. It will walk you through all the basics, including how much of your money is prudent to invest and how to find out which kind of stocks are right for you.

Our writers are excited about each of the stocks on this list, but they're probably not all up your alley. Start with the investment ideas that speak to you — and feel free to ignore the ones that don't.

Good luck and Fool on!

**CATEGORY**

1. Investing
2. Top TSX Stocks

**POST TAG**

1. pitch-general



**TICKERS GLOBAL**

1. TSX:AQN (Algonquin Power & Utilities Corp.)
2. TSX:ARX (ARC Resources Ltd.)
3. TSX:ATD (Alimentation Couche-Tard Inc.)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:CWB (Canadian Western Bank)
6. TSX:DSG (The Descartes Systems Group Inc)
7. TSX:ENB (Enbridge Inc.)
8. TSX:FTS (Fortis Inc.)
9. TSX:TOU (Tourmaline Oil Corp.)
10. TSX:TVE (Tamarack Valley Energy Ltd)
11. TSX:WELL (WELL Health Technologies Corp.)
12. TSX:X (TMX Group)
13. TSX:ZEB (BMO Equal Weight Banks Index ETF)

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**Date**
2025/08/11
**Date Created**
2022/05/02
**Author**
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