



The 3 Best Canadian Stocks to Buy in May 2022

Description

The past few months have been an ugly whirlwind for many Canadian stocks. While the **TSX Index** held up well at the start of the year, it has been declining on recession and economic concerns.

There have been some tough days, but the good news is, there are plenty of [cheap buying opportunities](#). The key here is to be an *investor* and buy great businesses for the long term.

If you can afford to be patient, this downturn will likely turn out to be a great opportunity looking back in five, 10, or 20 years from now. Here are three top Canadian stocks that look like great buys in May 2022.

Constellation Software: A Canadian stock to buy and never sell

Constellation Software ([TSX:CSU](#)) has been one of the best-performing Canadian stocks over the past 15 years. It has delivered an astounding 8,205% return in that time! If you look at its chart, this stock rarely, if ever, corrects. Likewise, it is rarely ever cheap. However, year to date, it is down over 15%.

At 20 times free cash flow, this stock is not “cheap.” However, it is more aligned with its 10-year historic average. Constellation has one of the best platforms for compounding capital in the world. It buys vertical market software businesses, reaps their cash flow, and invests the cash at high rates of return in more software businesses.

It just produced [solid first-quarter results](#) with solid 20% revenue and free cash flow growth. This is not a stock to trade. It is a “buy, hold, and never sell” business. Investors are lucky to buy it at fair price today.

Colliers: A long-term compounder with a positive future

Another Canadian stock that has compounded solid returns for many years is **Collier International Group**

([TSX:CIGI](#))([NASDAQ:CIGI](#)). Like Constellation, it has been trading downwards. Its stock is down 23.5% this year. Yet the stock action does not really reflect its business fundamentals.

Colliers just delivered [record first-quarter results](#). It is seeing the benefits of its diversified platform strategy. Colliers is no longer just a commercial real estate brokerage business. It provides a broad array of management, engineering, banking, and asset management services to clients across the globe. That is translating into strong organic and acquisition growth.

For a stock that has compounded adjusted earnings per share by 16% annually, it trades at an attractive 15 times earnings. This is another top Canadian stock to buy and hold for the long term.

ARC Resources: A favourite Canadian energy stock

A more cyclical Canadian stock I would consider buying today is **ARC Resources** ([TSX:ARX](#)). It is a mid-cap energy company that largely produces natural gas, but also NGLs, condensate, and crude oil. While its stock is up 62% in 2022, it still only trades for 6.5 times free cash flow. That is a discount to its larger peers like **Tourmaline**.

Yet every indication is that ARC is firing on all cylinders. It has great assets with large and growing production inventories. Likewise, it has a very low cost of production. With today's elevated energy prices, the company generates a lot of excess cash. It plans to distribute between 50% and 80% of its free cash back to shareholders in 2022.

That could come in the form of a dividend increase, special dividends, and share buybacks. If you are looking for a quality, conservatively managed Canadian energy stock, this is a great pick to hold today.

CATEGORY

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2. Stocks for Beginners

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2. TSX:CIGI (Colliers International Group)
3. TSX:CSU (Constellation Software Inc.)

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