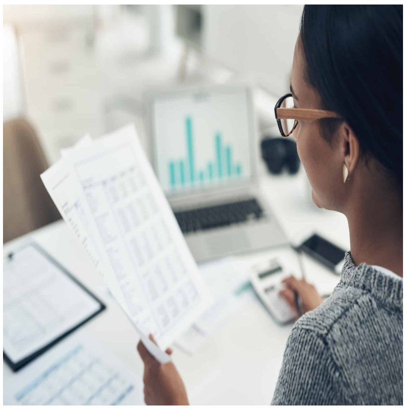

3 TSX Stocks That Are Great Long-Term Bets

Description

The following TSX stocks offer handsome growth prospects for long-term investors.

Royal Bank of Canada

Canadian bank stocks have been trading weak since the beginning of the year. The biggest of them all, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) has been no exception and has fallen almost 20% since its 52-week high. Notably, not-so-great fiscal third-quarter earnings released yesterday could weigh on the stock in the short term. So, RY stock might see more weakness, which could be an opportunity for long-term investors.

Driven by an uncertain macro environment and weak performance from its capital markets division, RY reported a 17% earnings drop year over year in the latest quarter. Concerningly, the bottom line came down mainly due to $340 million in provisions for bad loans. Banks provisioning aggressively again could be a harbinger of imminent uncertainties and volatile markets.

However, Royal Bank of Canada is a fundamentally attractive investment for long-term investors. Its unmatched scale, strong credit profile, and earnings stability play well for shareholder returns. It pays handsome dividends and yields 4% at the moment. The recent weakness is more due to macroeconomic conditions. RY will likely change the course soon and create meaningful value for its shareholders.

Tourmaline Oil

TSX energy stocks might not lose their sheen just yet. And notably, those with significant exposure to natural gas will shine even brighter. Canada's leading natural gas producer **Tourmaline Oil** (TSX:TOU) is one of my favourite stocks on the TSX. It has been a massive wealth creator recently, standing tall among peers. Driven by solid earnings growth and dividend flood, TOU stock has returned a massive 170% in the last 12 months.

Tourmaline derives more than 80% of its earnings from natural gas. Note that the commodity has risen multi-fold in the last few years. As a result, Tourmaline’s free cash flows surged from a meagre $41 million in 2020 to $2.2 billion in the previous 12 months.

These incremental cash flows have rightly gone to repay debt and have effectively strengthened its balance sheet. At the end of 2020, Tourmaline had net debt of $1.7 billion, which has come down to $470 million as of June 30, 2022.

A solid balance sheet, superior earnings and dividend-growth prospects will likely keep boosting TOU stock higher.

Constellation Software

Almost all tech stocks trended massively lower as interest rates increased this year. However, one of the biggest in the sector, **Constellation Software** (TSX:CSU) has been relatively resilient. TSX tech stocks, on average, have lost 36% year to date, while CSU stock has dropped only 10%.

Its unique business model and consistent profitability have been behind its relative resilience this year. Constellation acquires smaller software companies with leadership positions in their respective domains. As tech stocks’ valuations corrected this year, CSU became all the more aggressive and expanded its portfolio.

Its earnings have grown by 20% CAGR in the last five years, notably beating its peers. Its superior financial growth drove the stock and returned 215% in this period. Given the unique business model and industry-leading financial profile, CSU stock justifies the premium valuation. It will likely ride higher on its robust earnings-growth prospects after its recent correction.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TOU (Tourmaline Oil Corp.)

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