



## 3 Crucial Factors to Consider Before You Buy Canadian Stocks

### Description

Buying stocks and investing, in general, can seem complicated when you're just starting out. It's important to keep in mind that it's not Canadian stocks that you're buying. It's ownership in each of these underlying companies.

And while it's easier to assess how a company may perform in the long run compared to how a stock price may move in the short run, there is still a lot to consider before you decide whether a business is high-quality and whether its stock is worth a buy.

So if you're [new to investing](#), here are some of the most critical factors to look for and research to help you decide which Canadian stocks are the best to buy.

### What industry and sector does the company operate in?

One of the first things to consider is what type of business you're looking to invest in. Of course, we want to ensure that the company is high-quality, and we'll get to that, but looking at the industry it operates in is just as important.

It's much better to buy a company in a growth industry like e-commerce than one in a maturing industry, like one that publishes newspapers.

However, researching its industry goes far beyond that. You'll also want to consider who its customers are and whether or not the goods and services it sells are defensive.

It's also worth researching who its competitors are, how crowded the space is, and how quickly the industry or [sector](#) is expanding.

After researching its industry, if the company still looks like one of the best Canadian stocks to buy, you can begin to analyze the company itself and its operations.

A stock like **Freehold Royalties** ([TSX:FRU](#)), for example, is an energy stock, one of the few sectors

that are outperforming in 2022. Furthermore, energy is a sector that's essential to the economy, and it's constantly expanding each year, making it one where you're sure to find Canadian stocks to buy and hold for the long haul.

## The most important factor to research before you buy Canadian stocks is their operations

Once you begin researching a company and its operations, there's much to consider. First, you want to see if the company has any competitive advantages and determine why it's one of the best businesses in its industry and one of the best buys on the market.

You'll also want to look at its past performance. For example, how fast is the stock growing its revenue, is it maintaining or growing its [margins](#), and can it consistently earn positive net income?

You'll also want to spend some time researching the company's other financial statements to see if it's one of the best stocks to buy. It's crucial to ensure that companies you're looking at buying have a solid balance sheet.

It's also a good idea to look at its cash flow statement. Research whether the stock pays a dividend and what else it's doing with its cash.

In Freehold's case, it's one of the top energy stocks to buy due to its lower-risk business model. In addition, the stock has performed exceptionally well as the energy industry recovered from the pandemic. It has a solid balance sheet and earns tonnes of cash flow, which it uses to invest in more growth and pay its juicy 7.7% dividend [yield](#).

## Is the company undervalued and one of the cheapest Canadian stocks to buy?

While buying high-quality companies is the most important consideration, there are more than a few high-quality companies out there, so it's crucial to ensure that you're also buying ones that offer the best value.

Therefore, even if you've confirmed that the company in question is worth owning, you'll have to look at the kind of value that the stock offers to see if it's one of the best Canadian stocks to buy now.

This includes how the stock has performed lately and its current valuation. Then you should consider how it's valued compared to its competitors, but also how it's valued compared to itself historically.

Once you find companies that operate in a strong sector, have high-quality operations, and are priced fairly or even undervalued, you can rest assured these will be some of the best Canadian stocks to buy.

### CATEGORY

1. Energy Stocks
2. Investing
3. Stocks for Beginners

## TICKERS GLOBAL

1. TSX:FRU (Freehold Royalties Ltd.)

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