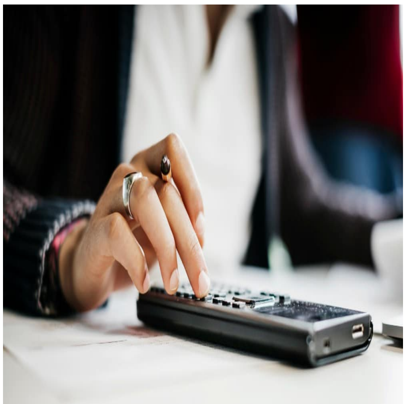

2 No-Brainer U.S. Stocks for Canadian Investors

## Description

The Canadian stock market is good, but it lacks in a few sectors that U.S. stocks can provide better exposure for. For example, the Canadian stock market has only about 5% in consumer discretionary and 0.1% in the healthcare sector, whereas the U.S. stock market has about 11% and 14%, respectively, in each.



Aside from the greenback, which has strengthened against the loonie lately, here are a couple of no-brainer U.S. stocks that Canadian investors can consider right now.

# Yum China stock

**Yum China** (NYSE:YUMC) could be an interesting near-term turnaround and long-term growth play. It owns, operates, and franchises restaurants in China, totaling 12,170 stores at the end of the second quarter (Q2). Its most popular brands are KFC and Pizza Hut with innovative or localized offerings.

Here are some examples. KFC offers ShaoMai (steamed chicken dumplings) for breakfast and tender chicken and squid skewers for late-night snacks. Pizza Hut in China offers slow-cooked beef ribs with red wine sauce, deep-fried crayfish with salted yolk, pastas with traditional Chinese flavours, and more. Its other brands are Little Sheep, Huang Ji Huang, Lavazza, COFFii & JOY, Taco Bell, and East Dawning.

The stock has been weighed down by COVID lockdowns in China. Its Q2 press release noted, "According to government statistics, the restaurant industry in China experienced a revenue decline of approximately 16% year over year in the quarter."

The restaurant company continues to grow, particularly, penetrating into lower-tier cities. This year, it plans to add net stores of 1,000 to 1,200. As well, it's making capital investments of US$$800 million to US$1 billion in store network expansion, supply chain infrastructure, and digital for the year.

The stock could return to the US$62 range for near-term upside of about 25% on optimistic news regarding COVID. Longer term, it can deliver a double-digit growth rate. Meanwhile, it offers a dividend yield of about 1%, which can be considered as a bonus on top of its price-appreciation potential.

# Medtronic

**Medtronic** (NYSE:MDT) could provide decent total returns with a good mix of value and growth. The healthcare company develops and manufactures therapeutic medical devices for chronic diseases. Its diversified portfolio includes devices for cardiovascular, medical surgical, neuroscience, and diabetes.

Its recent results have been weighed down by COVID and supply chain impacts, such as the shortage of microchips. The stock is down approximately 31% from its 52-week high.

At about 16.3 times earnings at US$90 and change per share, it’s a decently attractive valuation to start picking up shares for analysts’ anticipated earnings-per-share growth at a compound annual growth rate of 12.7% over the next three to five years.

Meanwhile, Medtronic also pays a nice dividend yield of 3%. Its dividend is sustainable with a recent payout ratio of 66% of net income and 60% of free cash flow.

Both stocks can potentially result in double-digit total returns per year over the next three to five years. Medtronic stock may be a better buy or hold in a Registered Retirement Savings Plan/Registered Retirement Income Fund, as it pays a decent U.S. dividend. For example, in non-registered accounts, Canadian investors would be paying their marginal tax rates on the U.S. dividend. In Tax-Free Savings Accounts, there would be a 15% withholding tax on the U.S. dividend that would not be recoverable.



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