2 Great TSX Stocks to Buy for the Long Term

Description

The broad market volatility has disproportionately weighed on some stocks this year. Some will significantly recover, as the macro environment improves, while fundamentally weak stocks might keep trading lower. Here are fundamentally strong stocks that will outperform in the long term.

#1: BRP

Bombardier Recreational Products, or **BRP** (TSX:DOO)(NASDAQ:DOOO), the maker of Sea-Doo and Ski-Doo, has been trading subdued for the last few quarters. It has lost 22% since last year, despite decent revenue growth and upbeat guidance. So, this could be an opportunity for discerned investors to grab this interesting bet while it trades at lower levels.

BRP is a $7.3 billion company that makes powersports vehicles and marine products. It sells its products in over 120 countries. It generates 55% of its revenues from the U.S., 17% from Canada, and 28% from the rest of the world.

For the latest reported quarter, BRP posted total revenues of $2.44 billion, representing a decent 28% growth year over year. Net income came in at $238 million for the quarter — 11% growth compared to the same period last year. The management increased its normalized earnings guidance from $11.18 per share to $11.48, indicating approximately 15% growth from fiscal 2022.

BRP has a unique product line that gives it a key competitive advantage in the niche domain. It has been seeing an encouraging uptick in its marine products of late. BRP values the total marine industry at $36 billion. Of which, it aims to reach $1 billion in revenues by 2025.

Notably, DOO stock is currently trading eight times its fiscal 2023 normalized earnings. This looks undervalued compared to its historical average and implies handsome upside prospects.

DOO stock hit an all-time high of $125 last July. It is currently trading 25% lower than those levels. The stock seems well placed to outperform in the long term, given its dominating position in the niche segment and strong earnings growth potential.

#2: Suncor Energy

Canada's oil sands giant **Suncor Energy** (TSX:SU)(NYSE:SU) is another interesting buy in the current market. SU stock has dropped 22% since June, mimicking TSX energy peers. However, the stock could trade higher with its potential balance sheet improvement and higher dividends.

Suncor reported free cash flow of $4.9 billion in the first half of 2022. This was a massive increase of 220% compared to the same period last year. A majority of this incremental cash went for debt repayments. At the end of the second quarter of 2021, Suncor had a net debt of $18.7 billion, which has now fallen to $15.7 billion. A declining debt indicates a strengthening balance sheet and lowers interest expenses.

SU stock has risen 75% in the previous 12 months. It yields a decent 4.5% at the moment. The balance sheet will strengthen further, as the company is expected to see superior free cash flow growth for the next few quarters. Investors can also expect higher dividends and aggressive share buybacks in the next few quarters, boosting shareholder returns.

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