Got 3,000? 3 Simple TSX Stocks to Buy Right Now

Description

You don't need a large reserve to begin investing in stock markets. You can start small. What matters more is staying disciplined and invested in quality names for the long term. Over the years, compounding will do the job and create a large reserve. Here are three such TSX stocks that could outperform in the long term.

Vermilion Energy

Despite the recent drop, **Vermilion Energy** (TSX:VET)(NYSE:VET) stock is still sitting at a 75% gain so far in 2022. Thanks to rallying oil and gas prices, Vermilion has seen stellar financial growth this year. Moreover, its operations in Europe differentiate it from peers. Growing European demand will likely offer it handsome growth for the next few quarters.

Many Canadian energy producers reinstated dividends this year after their windfall free cash flow growth. Vermilion Energy was one of them. VET will pay a quarterly dividend of $0.06 per share, implying a dividend yield of 1.2%. That's quite an insignificant yield compared with that of peers. Nonetheless, its steep earnings growth prospects and sound balance sheet should allow it to raise shareholder payouts significantly in the next few quarters.

Apart from dividends, Vermilion stock seems well placed to reward shareholders. Following the recent rout, this undervalued stock should play well and outperform its peers in the long term.

Toronto-Dominion Bank

Canada's second-biggest bank, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), is an attractive long-term bet, particularly after its recent correction. The stock has dropped 24% from its 52-week highs amid a looming economic downturn. However, its decent dividend yield and stable earnings prospects will likely create steady shareholder returns for the long term.

Toronto-Dominion's scale and large presence in the US play well for its earnings growth. In the last decade, the multinational bank's revenues and income have grown by 6% and 8%, compounded annually, respectively.

Apart from earnings, TD has a sound balance sheet. It has one of the superior credit profiles in Canada, earning a common equity tier 1 ratio close to 15%. The ratio is a measure of a bank's core equity capital compared to its risk-weighted assets. So, in an economic downturn, TD will likely be relatively safe and able to withstand shocks.

TD currently yields 4%, in line with its peers. Including dividends, the stock has returned 232% in the last 10 years, notably outperforming broader markets.

Constellation Software

Constellation Software (TSX:CSU) stock is one of the very few high-growth stocks that has consistently rewarded shareholders. In the last 10 years, CSU has returned a handsome 1,960%, beating growth Peers by a vast margin.

This year as well, Constellation Software stock notably outperformed peers amid the tech rout. When broader tech names floundered nearly 40%, CSU stock dropped 15% year to date.

Constellation's unique business model stands tall and facilitates stable growth in almost all business cycles. It acquires smaller vertical market software companies that have leadership positions in their particular domains. CSU's revenues have grown by 19% and operating profit has increased by 20% compounded annually in the last five years. Its large addressable market and above-average earnings growth play superbly well for shareholder value creation.

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2. NYSE:VET (Vermilion Energy)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:TD (The Toronto-Dominion Bank)
5. TSX:VET (Vermilion Energy Inc.)

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Author
vinitkularni20