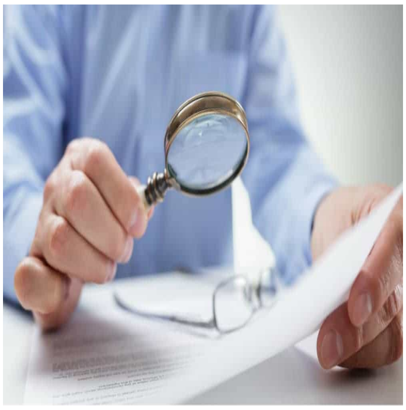

TSX Stocks I'm Watching in This Wild Market

Description

The TSX market has always been volatile, but it could get wild around earnings season and when a recession is just around the corner. Economists believe Canada will enter a recession sometime next year. Some believe it'll occur as soon as the first quarter (Q1).

Regardless, here are a couple of TSX stocks I'm watching in this wild market.

Restaurant Brands International stock

Quick-service restaurant chain **Restaurant Brands International** (TSX:QSR) consists of Burger King, Tim Hortons, Popeyes, and Firehouse Subs. The stock could be a stabilizer in a wild market. Although it doesn't have an investment-grade credit rating (its S&P credit rating is BB), its franchise business model allows it to generate substantial cash flow with little capital spending required.

For instance, in the trailing 12 months (TTM), it generated *free* cash flow of US$1.45 billion, while its capital spending was less than 6% of operating cash flow. In this period, its payout ratio was sustainable at 67% of free cash flow. Its TTM interest expense of US$492 million was also manageable.

For Q3, its consolidated system-wide sales growth was 14.0%, helped by high inflation and a 3.9% growth in net restaurant numbers. Comparable sales increased by 9.1%. Revenue growth for the quarter was 15% to US$1.7 billion, while adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) growth was 6% to US$642 million. Its net leverage ratio of 5.2 times remained the same as Q3 2021.

At $88.69 per share at writing, the dividend stock appears to be fairly valued and offers a dividend yield of 3.25%. I'd watch to potentially buy on meaningful pullbacks.

Enbridge stock

Investors may be able to ignore market volatility with a TSX stock like **Enbridge** (TSX:ENB). Because of its high and safe yield of 6.4%, investors don't need a lot of price appreciation to get a solid total return from the dividend stock.

Enbridge is a large North American energy infrastructure company. It provides essential services of transporting and storing energy. So, its cash flows have been stable and steadily growing through economic cycles. Its wide network is comprised of liquids pipelines, gas transmission, distribution, and storage, and renewable power generation.

Year to date (YTD), it increased its adjusted EBITDA (a cash flow proxy) by 13% to $11.6 billion. Its distributable cash flow (DCF) also rose by 10%. The growth rate was similar on a per-share basis, indicating no shareholder dilution occurred. Its YTD DCF per share was $4.11, which represents a sustainable payout ratio of about 63%.

Enbridge stock is a Canadian Dividend Aristocrat, and it has no problem maintaining its dividend-growth streak. It has an investment-grade S&P credit rating of BBB+. Its $17 billion secured capital program would support steady growth over the next few years. Assuming a conservative dividend-growth rate of 3%, buyers at current levels can get solid total returns of about 9% annually. At $53.67 per share, the dividend stock is fairly valued and would be a better buy on dips.

The Foolish investor takeaway

Conservative investors worried about the wild market could consider picking up some common shares of QSR and ENB on meaningful corrections of 10-20%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ENB (Enbridge Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

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