Sitting on Cash? These 2 TSX Stocks Are Great Buys Today But Won't Be Forever

Description

If you don't want to take any risk, you might consider parking cash in a Guaranteed Investment Certificate (GIC) for safety of your principal and an interest rate of about 5%. If you're sitting on cash that you don't need for a long time and are willing to take some risks, you could consider investing in stocks for higher returns potential. Here are a couple of TSX stocks that might bring you greater wealth.

A great tech stock to buy now

It's a rare opportunity to buy **Constellation Software** (TSX:CSU) stock on sale, because the company has executed so well and delivered remarkable returns for long-term shareholders. For instance, in the last decade, the tech stock returned about 36% per year for its loyal shareholders.

Constellation Software makes more money over time by acquiring, managing, and building vertical market software businesses. It typically provides mission critical software to its customers, which essentially makes it a recession-proof business. Indeed, in the last two recessions, it kept on growing its cash flow.

In the first nine months of the year, it increased revenue by 28% to US$4,774 million. The growth was primarily due to acquisitions, which is a key driver of its growth. It has a strong track record of capital allocation. For example, its five-year return on invested capital and return on equity are 27% and 47%, respectively.

For now, the company's yield remains very low at about 0.26%, as it's still highly focused on growth. The tech stock is still a great buy at about $2,098 per share, as the consensus 12-month analyst price target suggests a discount of roughly 15%.

Parex Resources

Parex Resources (TSX:PXT) its headquartered in Calgary. However, its operations are in Colombia. Investors may be concerned about political risk in the country. The stock hasn't moved much since August, which was when the new leftist president in Colombia took office.

Operation-wise, Parex is greatly run. It's a low-cost producer. Brian Madden, chief investment officer at First Avenue Investment Counsel, noted on *BNN* that the business would be profitable at below $30 oil.

Indeed, the oil-weighted producer has been generating tonnes of cash. In the trailing 12 months, it generated US$424 million in free cash flow. In the period, it paid out less than 22% of free cash flow as dividends.

Other than its dividend, the company also tends to return value to shareholders by buying back its common shares. This year, it repurchased the maximum allowable amount of 10% of its public float for about $24 per share. Management expects to resume share buybacks next year.

The stock is about 20% cheaper now. So, it's a great buy today. At $19.17 per share at writing, the energy stock trades at about two times cash flow and 3.5 times earnings. It started paying a regular quarterly dividend last year. So, the undervalued stock also offers a nice yield of 5.2%.

Across 11 analysts have a 12-month consensus price target of $35.46, which represents almost 85% near-term upside potential.

The Foolish investor takeaway

Cheap stocks won't lie around forever. Pick up shares in undervalued stocks if you have excess cash lying around. However, don't bet your money on just two stocks. Make sure your stock portfolio is diversified.

CATEGORY

1. Energy Stocks
2. Investing
3. Tech Stocks

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2. TSX:PXT (PAREX RESOURCES INC)

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