Beat the Market With 2 Growing Companies

Description

A volatile equity market has thrown up several opportunities for investors to purchase quality stocks at a lower valuation. Historically, equities have been the preferred asset class for those with a higher risk exposure due to their ability to generate inflation-beating returns over the long term.

If you are a seasoned investor or someone just starting out, it's imperative to identify stocks that will consistently deliver outsized gains. Here, I have shortlisted two such TSX stocks that investors can buy right now.

Brookfield Asset Management

One of the largest companies trading on the TSX, **Brookfield Asset Management** (TSX:BAM.A) has already returned 387% to investors in dividend-adjusted gains in the last decade. An alternative asset management company, Brookfield has more than US$750 billion of assets under management. It owns and operates several businesses across verticals such as clean energy, infrastructure, real estate, and more.

Its focus on asset management, as well as ownership of these assets, allows Brookfield Asset Management to generate cash flows across business cycles and pay investors annual dividends of $0.75 per share. Its dividends have increased at an annual rate of 8.7% in the last 20 years.

Down 22% from all-time highs, BAM stock is currently trading at a discount of more than 30% right now. Further, Brookfield will soon complete a unique one-for-four stock split, after which it will split into publicly traded companies. These companies will be called Brookfield Corporation and Brookfield Asset Management.

Similar to peer asset managers, Brookfield Asset Management also produces a ton of distributable cash flow. But its payout ratio is low as a significant portion of its cash is retained to invest in private equity funds.

Following the split, Brookfield Asset Management aims to distribute 90% of annual earnings to shareholders via dividends, increasing its yield significantly.

Restaurant Brands International

A TSX stock that has trounced the market in 2022, **Restaurants Brands International** (TSX:QSR) should be on top of your shopping list. This fast-food heavyweight pays investors annual dividends of $2.94 per share, translating to a dividend yield of 3.3%.

Investing in quick-service restaurant chains remains a good proposition, as they are mature businesses with predictable earnings. Further, Restaurants Brands International is also a defensive play during an economic downturn, as consumers look to lower spending and keep expenses in check.

Several of QSR's stores are operated by franchisees, creating another high-margin recurring revenue stream for the company due to regular royalty payments. With 29,000 store locations in 100 countries, Restaurant Brands owns several popular brands, including Tim Hortons, Firehouse Subs, Burger King, and Popeyes Louisiana Kitchen.

Analysts tracking QSR expect the company to increase sales from $7.65 billion in 2021 to $9.1 billion in 2023. So, QSR stock is priced at 4.5 times forward sales and 22 times forward earnings, which might seem expensive. However, its forecast to expand adjusted earnings at an annual rate of 11% in the next five years.

Moreover, armed with a healthy balance sheet and almost $1 billion in cash, QSR should keep increasing its dividend in the future, given its payout ratio is less than 60%. Since its initial public offering in 2014, QSR has increased its dividend at an annual rate of 24.8%, which is quite exceptional.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BN (Brookfield)
2. TSX:QSR (Restaurant Brands International Inc.)

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araghunath