



The TSX Is Down, But These 3 Stocks Are Beating the Market

Description

Amid the ongoing geopolitical tensions, higher inflation, rising interest rates, and uncertain economic outlook, the **S&P/TSX Composite Index** is down around 5.6% for this year. However, the following three Canadian stocks have outperformed the broader equity market by delivering superior returns. Meanwhile, let's examine the reasons behind their impressive returns and assess whether buying opportunities still exist in these stocks.

Suncor Energy

The ongoing geopolitical tensions and the announcement by OPEC + (Organization of Petroleum Exporting Countries plus) to slash its production by two million barrels/day in October have strengthened commodity prices. Higher oil prices have boosted the financials of oil-producing companies, such as **Suncor Energy** ([TSX:SU](#)). The company's adjusted funds from operations rose 95.6% to \$13.9 billion in the first nine months of this year.

Supported by its solid financial performance, the company has returned 36.3% this year, comfortably outperforming the broader equity markets. Also, the company's management has raised its dividend twice this year. With a quarterly [dividend](#) of \$0.52/share, the company's yield stands at 5.03%.

Although oil prices have cooled down over the last few weeks amid the recession fears, analysts are bullish on oil. Amid lower production from Russia and the bounce back of oil demand in China, analysts expect oil to trade around US\$100/barrel next year. The company has taken several cost-cutting initiatives and lowered its debt levels, which could boost its financials in the coming quarters.

Meanwhile, the company's valuation also looks attractive, with its NTM (next 12-month) [price-to-earnings](#) multiple still standing at 5.4. So, I expect the uptrend in Suncor Energy to continue.

Waste Connections

Another stock that has delivered solid returns this year is **Waste Connections** ([TSX:WCN](#)), which is

trading 11.9% higher as of writing. Given the essential nature of its business, strategic acquisitions, and higher E&P (exploration and production) waste activities, the company has continued to drive its financials, despite the challenging environment. Its top line and adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) grew by 18% and 16.4%, respectively.

The company has completed several acquisitions this year, which could contribute US\$535 million to its annual revenue. The company is working on closing deals that can add a further \$35 million to its annual revenue. Meanwhile, these acquisitions could strengthen the company's position in California, Oregon, Arizona, and Texas. Also, the surge in E&P activities could drive the demand for the company's services.

Supported by its growth initiatives and favourable pricing, the company's management expects double-digit revenue in 2023. So, given its solid underlying business and healthy growth prospects, I expect Waste Connections to outperform the broader equity market in the coming quarters.

Pizza Pizza Royalty

Pizza Pizza Royalty ([TSX:PZA](#)), trading 21.1% higher this year, is my third pick. Reopening of non-traditional restaurants amid the easing of pandemic-induced restrictions benefited the company. New product launches, creative marketing, and strategic partnerships have continued to drive its same-store sales, thus boosting its royalty pool system sales, which rose by 16.6% in the first three quarters.

Supported by its solid financials, PZA's management has raised its monthly dividend of 3.7% to \$0.07/share, with its yield for the next 12 months standing at 6.1%. Meanwhile, the company is expanding its footprint with new restaurant construction. Also, its investment in strengthening digital and delivery channels and renovation programs could continue to drive its financials in the coming quarters. The company trades at a healthy NTM price-to-earnings multiple of 15.2, making it an attractive buy.

CATEGORY

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2. TSX:SU (Suncor Energy Inc.)
3. TSX:WCN (Waste Connections)

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