3 TSX Stocks to Buy Today and Hold for the Next 3 Years

Description

The challenging macro backdrop and uncertainty make stocks unattractive. However, stocks remain one of the best investments for creating wealth. Meanwhile, the recent correction is an opportunity to accumulate shares of top companies and benefit from the price recovery.

If you have surplus cash and can stay invested for at least the next three years, I have three recommendations that could deliver outsized returns. Notably, I have only chosen stocks of companies with a solid history of consistently delivering profitable growth. Here are my top three picks.

Aritzia

Aritzia (TSX:ATZ) is a top stock in the consumer discretionary space that has delivered stellar returns and outperformed the broader markets. Its stock has appreciated by about 280% in five years, beating the S&P/TSX Composite Index by a significant margin.

Aritzia's outperformance stems from its ability to deliver solid sales and earnings growth. The fashion house increased revenues at a CAGR (compound annual growth rate) of 18% from FY16 to FY22. During the same period, its earnings grew at an average annualized rate of 28%.

The strong demand for its products drives full-price sales, which supports its top line and profitability. Also, consistent boutique openings, product and geographical expansion, and investments in e-commerce business will augur well for growth. The company projects revenues to increase at a CAGR of 15-17% through 2027. Moreover, the leverage from higher sales and cost efficiencies will drive earnings faster than revenues.

goeasy

Like Aritzia, **goeasy** (TSX:GSY) is known for consistently delivering strong revenue and profitability. Its stock has lost substantial value in 2022 (down about 40% year to date). However, the momentum in its business has sustained, and the company has registered solid growth this year, implying that the selloff in its stock is unwarranted.

Notably, goeasy's revenues have had a CAGR of 15.9% in the past decade. Further, in 2022, its top line marked 26% growth in the first nine months. Its adjusted net income has increased at a CAGR of 33.6% in the last 10 years. Meanwhile, it has increased by 11% so far this year.

The company continues to benefit from higher loan originations, despite interest rate hikes. This is driving its loan portfolio and, in turn, its revenues. Further, the leverage from higher sales is supporting its bottom-line growth.

The ongoing strength in its business, expansion of loan book, steady credit performance, and operating leverage will drive its sales and earnings in the coming years. goeasy is also expected to boost its shareholders' returns through higher dividend payments.

Cargojet

Canada's leading air cargo company **Cargojet** (TSX:CJT), is among the top investments to beat the broader market averages. Its shares have corrected amid the selloff in equities. However, the company continues to deliver robust sales and earnings (sales and profits increased by 36% and 57% in the first nine months) on the back of its solid business model, implying that the price decline is unreasonable.

Nevertheless, the decline in Cargojet stock provides a good entry point. Moreover, its next-day delivery capabilities in the domestic market, international growth opportunities, and strategic partnerships with leading companies position it well to deliver solid earnings, which will support its stock price.

Also, its long-term contracts, minimum revenue guarantee, fuel-efficient fleet, and low leverage profile bode well for growth. Notably, the increase in e-commerce penetration will likely give a significant boost to Cargojet's financials and its stock price.

CATEGORY

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1. Investing

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