2 Canadian Stocks I'll Be Buying Hand Over Fist in 2023

Description

Timing stock buys is tricky. Surely, when stocks have fallen, it means some risks have played out. The risks could be related to the macro environment, industry, or the business. You don't know how long it'll take to play out. And you won't know when things have improved until after the fact by looking at the stock price, because stock prices are forward looking.

With that intro out of the way, here are two Canadian stocks that fell off a cliff in 2022 and that I'll consider buying hand over fist in 2023.

Defensive dividend stock down 24% in 2022

Brookfield Renewable Partners (TSX:BEP.UN) is a defensive business for its diversification, durability, and healthy dividend payments. Yet the stock still fell 23.34% in 2022, according to *YCharts*. Higher interest rates are a dampener on business growth. And so, businesses that have high debt levels are generally stuck with higher interest expenses.

Utilities like BEP generally have high debt levels. From 2021 to the third quarter of 2022, BEP's debt-to-asset ratio increased from 57% to 62%. Its interest expense increased by about 23% or $232 million annualized.

I'm not concerned about the viability of the business. First, its top-notch management has extensive experience in owning and operating renewable assets. Second, its cash flows are primarily supported by long-term power-purchase agreements of about 14 years and have inflation escalations. Third, its portfolio is diversified across technology and geography. Altogether, it generates stably growing cash flows in the long run that support a growing cash distribution.

Importantly, the stock sold off so much in the last three months that it now trades at an attractive valuation. The undervalued stock trades at two-thirds of what its worth according to analysts. It offers a yield of about 4.8%, which is also solid income.

BEP aims to increase its cash distribution by at least 5% each year. This is healthily supported by an

8% funds-from-operations-per-unit growth rate that's secured and already funded through 2027.

High-yield dividend stock declined 29% last year

According to *YCharts*, **Chartwell Retirement Residences** (TSX:CSH.UN) declined 28.60% last year. The pandemic hit the senior housing sector hard. Chartwell still hasn't recovered from it. It last reported occupancy of about 78.4% for November 2022 for its retirement operations. And it forecast the occupancy to hover the 78% level for through this month.

Challenges it continues to experience include labour shortages, higher inflation, and higher interest rates that have propped up operating costs and pressured margins. Canada's latest inflation data was 6.8% in November 2022, which is still relatively high compared to our central bank's target of about 2%.

Inflation is a lagging economic indicator. Since inflation has stepped down from the peak of 8.1% in June 2022, it may be a good time to revisit the stock to see if it matches your appetite for risk and return.

The high-yield dividend stock currently offers a 7.2% yield at $8.49 per unit at writing. Analysts believe it can climb 33% to $11.33 over the next months, which will substantially add to its returns. A sustainable turnaround needs to be supported by improvements in its fundamentals, such as higher occupancy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
2. TSX:CSH.UN (Chartwell Retirement Residences)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/21
Date Created
2023/01/05
Author
kayng