3 Top Foolish Canadian Picks for 2019 (and Beyond)

Description

For investors, 2018 couldn't have ended soon enough. While an economic slowdown is in the cards for 2019, long-term thinkers should continue to favour stocks over bonds, as there are no signs that point to a recession at this juncture. And given everybody is pessimistic over the macro picture at this juncture, the smallest positive event could be enough to propel this market back towards its highs.

Without further ado, here are three battered bargains that I believe have the most favourable risk-reward trade-off for the year ahead.

Alimentation Couche-Tard (TSX:ATD.B)

As one of the few stocks to finish 2018 in the green, Couche-Tard looks to be well positioned to break through its long-term period of resistance in the high $60 levels, as the company continues to post blowout earnings numbers.

In a previous piece, I'd highlighted that Couche-Tard had been doing a bit of "spring cleaning" of late after many years of M&A activities across the globe. The Circle K banner continues to be rolled out, but more importantly, Couche-Tard has drawn its focus at the store level to increase efficiencies, to maximize unjuiced synergies from prior acquisitions, and to better cater to rapidly changing consumer demands in specific markets.

While the behind-the-scenes spring cleaning has mostly been unnoticed by investors and the mainstream financial media, as there hasn't been much news on the relentless same-store sales growth (SSSG) efforts, investors have applauded the last few quarterly results.

Couche-Tard is riding on a considerable amount of momentum in 2019, and as its debt continues to retreat, I expect management will be putting its foot back on the M&A pedal again, as its "spring cleaning" efforts conclude. At just 15 times forward earnings, and given double-digit EPS growth numbers that lie ahead, Couche-Tard is an absolute steal.

Restaurant Brands International (TSX:QSR)(NYSE:QSR)

Here's a stock that's so mispriced that it's ridiculous.

At just 13.8 times forward earnings, you would think that Restaurant Brands was a no-growth utility with plenty of baggage (and expenses) to worry about in the new year. You'd be wrong, and while there's a bit of tension between management and Tim Hortons franchisees, which has eroded in the latter half of the year, I'd say things are looking up for a company that appears to be in the very early stages of what could be a growth story for the ages.

First, it was Tim Hortons that was a drag, with Burger King doing most of the heavy lifting. Now, the roles have been reversed. Many folks, including fellow Fool contributor Will Ashworth, are concerned about the sub-par results posted at Burger King.

Ashworth isn't a fan of Burger King's in-store experiences, citing "hideously messy, gross, and outdated locations" as a primary reason why Burger King hasn't taken off as **McDonald's** has over the past year.

While I agree that experiential factor isn't helping Burger King post SSSG numbers, I'd argue that unlike McDonald's, there's ample room for improvement and way more upside relative to the richly valued Golden Arches.

Given Restaurant Brands's currently depressed valuation relative to other fast-food peers and the likelihood that Burger King will follow in McDonald's footsteps, I'd say Restaurant Brands is not only the best-valued quick-serve restaurant stock out there, but also the most mispriced growth stock on the TSX.

Spin Master (TSX:TOY)

Here's a small-cap growth stock that's a door-crasher special heading into the new year.

The company had been under a modest amount of pressure from the closing of American Toys "R" Us locations, but that the stock endured a drastic 40% collapse, which I thought was utterly unwarranted considering the tailwinds in store for 2019.

"Spin Master is capable of double-digit earnings growth, with major catalysts in 2019 that could propel the stock back to new highs. With an ambitious international growth spurt underway, the world is Spin Master's oyster." I'd said in a previous piece.

"Moreover, with the recent DC Comics toy deal in the bag, I don't expect the 'sale' on shares of Spin Master will last long. The stock trades at 14 times forward earnings, which makes no sense given the growth potential, the sky-high 29% ROEs, and the period of seasonal strength on the horizon."

There's no question that Spin Master's recent downfall was severely exacerbated by the recent sell-off that hit small-cap and growth names the hardest. Add the last sub-par quarter (which looks temporary) into the equation, and you've got a severely mispriced stock that could correct sharply to the upside, as investors come back to their senses.

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