3 Large-Cap Stocks to Buy in June

Description

Large-cap stocks can provide the best of both worlds: plenty of upside with mitigated risk. Just be careful to pick the right companies.

If you're looking for undervalued large-cap stocks with attractive risk-reward profiles, dive into the handpicked list below.

Fast food dynasty

You've likely eaten at a Burger King before. Maybe you've visited a Tim Hortons or Popeyes location. In each case you've directly enriched shareholders of **Restaurant Brands International Inc** (TSX:QSR).

The company was created in 2014 through the merger of Burger King and Tim Hortons. Three years later, the entity purchased Popeyes Louisiana Kitchen, forming the fifth-largest fast food company in the world. Only Subway, **Mcdonald's Corp**, **Starbucks Corporation**, and **Yum! Brands, Inc.** are larger.

While the company has grown larger, it remains one of the best-run restaurant stocks available.

Gross margins are 58% versus a sector median of 36%. EBIT margins are 36% versus a sector median of just 8%. Over the last decade, the company has sustained annual sales growth rates of nearly 8%.

Shares currently trade at 23 times 2020 earnings. That's not cheap by any stretch, but it's a fair price for a well-managed company with a proven long-term history of market-leading growth.

Get creative

Restaurant Brands International is a slow-and-steady stock. It's rarely more volatile than the market at large. **Barrick Gold Corp** (TSX:ABX)(NYSE:GOLD) does not share this characteristic.

From 2011 to 2014, shares lost 75% of their value. From 2015 to 2016, the stock price doubled. Shares currently trade close to 1998 levels.

Why should you gamble with this stock now?

Earlier this year, management revealed that four upcoming projects could add more than 1 million ounces to its annual output. Last quarter, production was roughly 1.3 million ounces, so this increase would be a sizable jump.

Notably, three of these projects have already received regulatory approval. The catch is that this output growth won't begin until 2021.

The market doesn't seem to be pricing in this upside, but if management can execute, the stock could re-rate quickly once output growth is realized. If you're a believer, now is the time to buy low.

Income paradise

Great-West Lifeco Inc (TSX:GWO) is a financial behemoth with a $28 billion market cap. Trading at 10 times trailing earnings with a 5.2% dividend, it looks like a low-risk stock that should perform well even during a market-wide downturn.

Great-West owns a variety of well-known financial brands, including Canada Life, Irish Life, Empower Retirement, and Putnam Investments. These are slow, stodgy businesses with little variation from year to year.

With top-tier credit ratings from every agency, this is the definition of a bullet-proof stock.

Next year, analysts anticipate EPS to be $3.33, resulting in a valuation of just 9 times 2020 earnings. The payout ratio is roughly 60%, so there's considerable cushion to its outsized dividend payment.

In total, this is a boring stock. In a red-hot market, it's no surprise that investors have thrown it in the bargain bin. The next time a bear market hits, however, you'll be pleased to have Great-West in your portfolio.

CATEGORY

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TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:ABX (Barrick Mining)
4. TSX:GWO (Great-West Lifeco Inc.)
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