Value Stocks Like Air Canada (TSX:AC) Are Now Big Bargains

Description

This week's selloff caused by COVID-19 fears has led to a few corrections. Corrections are stocks which have lost at least 10% of their value over a short period.

Short of a real global pandemic, investors with a long-term horizon may want to look at scooping up these shares before they bounce back. Although no one knows when these stocks will bounce, or just how big of a lasting impact COVID-19 will have on the global economy, one thing is certain: these stocks are cheap today.

Air Canada

After a blistering 2019, **Air Canada** (TSX:AC)(TSX:AC.B) has been one of the companies most impacted by COVID-19. The company has halted flights in and out of China and there exists a real possibility that Italy may be next.

Since the beginning of the year, Canada's largest airline has lost 17% of its value – almost 10% of which has come in the past week. Outside of virus fears, the company is also facing challenges with the grounding of the 737 Max.

Although the company posted strong quarterly results last week, it warned that these two issues could hit first quarter EBITDA by up to $200 million. That's the bad news. On the bright side, these headwinds are temporary.

As of writing, the company is trading at a cheap 7.38 times earnings and only 0.55 times sales. Similarly, it has a P/E to growth (PEG) ratio of only 0.24. The recent sell-off is discounting the fact that Air Canada is expected to average over 30% earnings growth over the next five years. Remember, investing is a long-term game.

BRP Inc

One of the worst-performing companies over the past week has been **BRP Inc** (TSX:DOO)(NADSAQ:DOOO). Down 12.2% over the past five trading days, BRP is firmly in correction territory.

So why the big drop? There hasn't been any noteworthy news and as such, the markets may be anticipating slowing demand for their products amid global economic uncertainty. Savvy investors will recognize this as an opportunity.

Research has shown that global demand for ATV, Side by Side and Personal Watercraft vehicles will remain strong over the next few years. Over the next five years, this should lead to sustained annual earnings growth of approximately 15% annually for BRP.

BRP is trading at just 14.72 times forward earnings with a PEG ratio of only 1.2. This looks quite attractive compared to the 17.6 and 2.66 industry averages. Furthermore, the company has a history of outperformance.

For 12 consecutive quarters, the company has beat analysts' estimates. As of writing, analysts are unanimous in their coverage of the company — all 11 rate BRP a "buy" or "strong buy."

Foolish takeaway

The ongoing virus fears will most likely pressure the markets over the short term. Volatility will be the norm until there indications that the spread of the virus is stabilizing. Until then, Air Canada and BRP's stock prices will also fluctuate.

Although there may be more downside ahead, these stocks are cheap today. In five years from now, odds are that investors will be quite happy with their investments at these prices.

If you are worried about significantly more downside, the best approach is to average into a position, which reduces risk in trying to time the market, which has proven to be a losing proposition.

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mlitalien