TSX Stocks: What’s Next for These Biggest Losers of the Crisis?

Description

Top **TSX** stocks have fallen more than 25% since their recent highs amid the pandemic. Even if the markets have bounced back recently, this does not appear to be a lasting recovery.

Hospitality and tourism industries have been the focal points of the brutal selloff. The biggest airline in the country, **Air Canada** (TSX:AC)(TSX:AC.B) stock has fallen more than 60% from its 52-week high amid the virus outbreak.

At the same time, the Canadian restaurant giant **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) stock has fallen around 35% since mid-February.

Top TSX stock: Restaurant Brands International

Restaurant Brands, a $27 billion quick-service restaurant chain operator, has much to worry about these days. The lockdowns will likely notably dent its top line, and more worrisome still, no one knows when things could return to normal again.

While 90% of the company’s restaurants have reopened in China recently, those and others around the world could continue to operate with low capacity. Notably, even if the virus contains and lockdowns are released, it might take time for people to eat out as compared to pre-crisis levels.

We will get to know how deep the cut is to its top line when the company releases its quarterly earnings next week. Restaurant Brands, which operates Burger King, Tim Hortons, and Popeyes, has already warned of lower sales in the first two quarters of the year. This might push the stock further down in the short term.

However, long-term investors should not make their investment decisions based on a couple of weak quarters. I don’t see the virus situation hampering Restaurant Brands’ growth prospects in a profound manner in the long term.

Restaurant Brands management has clarified that the company has $2.5 billion in cash, which will be sufficient to weather these challenging times.

Bear markets like these give investors opportunities to buy high-quality businesses at discounted levels. TSX stock Restaurant Brands looks cheap when compared to its historical trends, and is a favourable risk-reward play for long term investors at the moment.

Driven by its organic growth along with more banners under its umbrella, Restaurant Brands stock will likely emerge stronger after the coronavirus crisis is over.

Air Canada

Top TSX stock Air Canada has surged more than 110% since its recent lows of $9.3 last month. As stated, the massive rebound should not be perceived as a sign of sustained recovery.

Air Canada has trimmed 90% of its operations amid the closed borders driven by the pandemic. To add to the woes, it has recently increased most international route suspensions until June.

Notably, there are many uncertainties surrounding the airline industry, and extended lockdowns will make the picture bleaker. I agree that Air Canada looks relatively better placed to survive the crisis, mainly due to its strong balance sheet.

Its strong cash position will help weather these harsh times, but things could get worse in case of longer-than-expected suspended operations. Also, its higher reliance on government aid will further complicate the setup for Air Canada’s existing shareholders.

At the moment, risks seem to substantially dominate Air Canada stock’s reward potential. This top TSX stock could continue to be volatile, which could be a boon for risky market participants. While I would like to get things smoother on the operations front first, that seems unlikely in the short term.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:AC (Air Canada)
3. TSX:QSR (Restaurant Brands International Inc.)

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