



2 Top Canadian Growth Stocks to Beat the Coronavirus Pandemic

Description

Canadian growth stocks have rallied strongly since the March 2020 market crash, especially growth stocks. Copious government economic stimulus triggered a more optimistic outlook. The **TSX** as highlighted by the **S&P/TSX Composite Index**, has gained a whopping 32% since North American stock markets crashed.

Signs of further pain ahead make now the time to bulk up exposure to stocks with solid fundamentals possessing the ability to continue generating cash flow in a post-pandemic recession.

Let's take a closer look at three stocks which will continue delivering value regardless of the poor economic outlook.

Leading quick service restaurants

A top Canadian growth stock to consider is **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) has gained a whopping 52% since stocks bottomed during the market crash. Despite this solid gain, now is the time to buy Restaurant Brands, particularly given that the company is still down 13% for the year to date and reported some credible results.

Restaurant Brands owns three leading quick services restaurant chains Popeyes, Burger King and Canadian stalwart Tim Hortons. The considerable presence of those brands and their market share endows Restaurant Brands with a wide economic moat.

Even though sales growth was flat, Restaurant Brands net income declined by a modest 11% year over year to \$227 million. Curbside delivery, drive-through and takeout orders allows Restaurant Brands premises to continue operating despite in-house dining being prevented by governments as part of the measures to curb the spread of the coronavirus.

By the end of the first quarter, most of the company's North American restaurants were open.

At the end of April, Restaurant Brands boosted its liquidity, raising US\$500 million through a debt

offering and giving it US\$3 billion in cash. That ensures Restaurant Brands will survive the current difficult operating environment and return to growth once the pandemic ends.

Budget quick services restaurants become especially popular during economic slumps because consumers become more budget conscious. This combined with Restaurant Brands' globally diversified business, strong brand and focus on reducing costs bodes well for strong earnings growth once the pandemic ends.

While waiting for Restaurant Brands stock to appreciate, you'll be rewarded by its sustainable dividend yielding a juicy 4%.

Don't forget [that Warren Buffett](#) shares these sentiments; he owns approximately \$607 million of Restaurant Brands stock.

Dollar store retailer

Another top Canadian growth stock is **Dollarama** ([TSX:DOL](#)). It has underperformed the broader TSX, gaining only 23% since the stock market crash bottomed in March.

The leading dollar store retailer reported some solid fiscal 2020 results despite the coronavirus pandemic. These included meeting its full-year guidance and 4.3% year over year comparable same-store sales growth. Diluted earnings per share grew by a notable 7.5% year over year to \$0.57.

Dollarama opened 66 new stores boding well for further long-term sales growth.

Nonetheless, Dollarama's fiscal 2021 results will likely be significantly weaker because of the growing economic fallout from the coronavirus pandemic. The economic fallout will be severe. The International Monetary Fund anticipates that Canada's GDP will contract by 6.2% during 2020, which will have a sharp impact on heavily indebted households and hence consumer spending.

Shopping at [dollar stores](#) will surge in popularity during the economic slump as consumers become more budget conscious. While this doesn't mean that Dollarama's sales will surge, they should remain stable while other retailers feel considerable pain.

Foolish takeaway

Restaurant Brands and Dollarama have proven recession-resistant businesses. That along with aggressive expansion plans makes them some of Canada's best growth stocks.

Once the coronavirus pandemic ends both companies will experience earnings growth and their stock will soar.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)

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Author

mattdsmith

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