2 TSX Stocks to Buy While They Are Still Down

Description

The global equity markets bounced back strongly with most of the stocks recouping their losses. Still, many stocks continue to trade at attractive discounts and are poised for growth over the long term.

One way of looking at these beaten-down stocks is by analyzing the reasons behind their fall and making an informed decision on whether they can bounce back as the economy returns to normal. With that in mind, here are two stocks which are still trading at lower levels and have strong potential to generate significant returns in the long run.

Aritzia

Aritzia (TSX:ATZ) performed exceptionally well before the COVID-19 pandemic stalled its growth. Aritzia's revenues and earnings were growing at a remarkable rate. However, the closure of its retail locations following COVID-19 outbreak dragged its stock down.

Investors should note that the company's fundamentals remain strong, backed by an impressive set of numbers. Aritzia's revenues have grown at a CAGR of 17% over the past 20 years. Moreover, the company has not closed a single boutique in its 35-year history, which is encouraging, as these boutiques continue to generate strong productivity. Aritzia's comparable sales have marked positive growth in the last 21 consecutive quarters. Moreover, on a three-year stacked basis, Aritzia's comparable sales have increased by 30.5%.

On the profitability front, the growth numbers are even better. Aritzia's adjusted EBITDA has grown at a CAGR of 24% since 2016. Moreover, adjusted net income has grown at a CAGR of 33% in the last four years.

While the company's traffic could take a hit in the near term, Aritzia's long-term growth story remains intact. Growth in the e-commerce business, omni-channel offerings, and expansion of its boutique network in the U.S. and Canada are likely to drive its stock in the long term.

Despite the recent recovery, Aritzia stock is still down by 16% so far this year, which presents an excellent entry point for investors with a long-term investment horizon.

Great Canadian Gaming

Great Canadian Gaming (TSX:GC) stock has corrected by about 43% so far this year. The sharp decline in the Great Canadian Gaming stock followed the temporary closure of all of its gaming facilities and ancillary amenities amid COVID-19 spread. Similar to Aritzia, the company was doing so well before the pandemic interrupted its business.

The company's revenues have increased at a double-digit rate in the past couple of years, with exceptional growth across all business segments. Adjusted EBITDA margins marked significant expansion, while the bottom line remained strong during the same period.

In the most recent quarter, Great Canadian Gaming's revenues fell by 10% due to the temporary suspension of its operations. However, investors should note that the company's revenues continued to grow in the operating period before the temporary closures.

The company's fundamentals remain strong, and its business should regain momentum once the economy returns to normal. Moreover, most of its headwinds are transitory and could abate soon. Also, at a stock price of $24.60, Great Canadian Gaming stock is a steal.

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