



## Millennials: This Canadian Stock Is a Screaming Buy

### Description

For young investors like millennials, now is the time to take calculated risks in some of the harder-hit areas of the market. When Mr. Market prices stocks in the midst of crises, he tends to misprice them severely to the downside. With the [coronavirus disease 2019 \(COVID-19\)](#) likely to plague the world through year-end, it's never been harder to gauge the intrinsic value of businesses.

Mr. Market and most sell-side analysts are perplexed as to what their year-ahead forecasts should be with the vast uncertainties in this horrific pandemic. The next thing you know, a second COVID-19 outbreak could spark another wave of lockdowns and send stocks tumbling once again. So, not only is it tough to forecast earnings or revenue results over the next year, but it's tough to gauge the extent of the damage that will impact top- and bottom-line numbers for many years.

In such an environment, millennial investors stand to purchase shares of companies at unprecedented discounts to their intrinsic value ranges. Many battered stocks that are in the "blast zone" of the coronavirus crisis are already priced as though lockdowns will last for years.

Heck, some walloped stocks are even priced with bankruptcy in mind, even if the financials aren't suggestive of such.

While it may seem dangerous to purchase shares of some of the most-affected firms out there, for millennials who can afford to lose a bit of money and sit on an investment for the next five, 10, even 20 years, it makes sense to play the role of a contrarian to maximize your upside once this whole ordeal is done and over with. Nobody knows if the coronavirus will be eradicated this year, next year, or the year after.

While recent news on the Moderna vaccine is promising, it's still hard to gauge when an effective vaccine will be readily available for distribution. Fortunately, for millennials with time on their side, they don't need to know when things will return to normal. By having a strong preference for highly liquid firms that are well equipped to survive the coronavirus typhoon, millennials are giving themselves a good shot at achieving [market-beating returns](#) over the extremely long term — think a decade and beyond.

## Millennials: Consider a dirt-cheap food court play

Consider **MTY Food Group** ([TSX:MTY](#)). This quick-service restaurant player soared 15.4% on Tuesday, as some of the harder-hit stocks received relief over encouraging progress with the production of a coronavirus vaccine. The rally was off the charts, and I think there will be many more rallies like the one witnessed on Monday (or Tuesday for the **TSX Index**, since Monday was a holiday), as we inch closer towards an effective vaccine that can bring us back to pre-pandemic norms.

Now, I'm not suggesting that you time the coronavirus (or a vaccine), but I think millennials would be best served by buying and holding one of the most battered restaurant plays on the TSX.

For those unfamiliar with MTY, it's behind a wide range of food court staples. Amid the coronavirus lockdown, food courts have been shuttered, and MTY stock has taken a hit. Once the economy re-opens or a vaccine propels us back to the normal routine, people are going to return to malls again. Food court sales will bounce back, albeit gradually, as gathering places are likely to continue to abide by the rules of social distancing (food courts may operate at 50-75% capacity in the initial phases of a re-opening of malls).

## Severely undervalued

If the re-opening of the economy sparks another wave and more lockdowns are needed, MTY will remain in a rut, but at today's valuations, I think such a scenario is already baked into shares. The stock trades at 0.69 times book, which is a lofty discount, especially for millennials willing to hold the name for years at a time.

## What about liquidity?

The firm has a 0.63 quick ratio and an alarming amount of debt on the balance sheet (\$1.16 billion in total debt as of Q1 2020). While MTY's liquidity position isn't ideal, I think the firm has significant upside potential if you're in the belief that people will still eat at food courts and restaurants in the post-pandemic world.

Stay hungry. Stay Foolish.

### CATEGORY

1. Coronavirus
2. Investing

## TICKERS GLOBAL

1. TSX:MTY (MTY Food Group)

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