1 Top TSX Stock to Buy Before it Takes Off

Description

As the economy starts to open back up across North America, several **TSX** stocks will immediately see the benefits.

For roughly two months, some businesses have been majorly impacted. But as they are slowly allowed to reopen, the anticipation and pent-up demand will be key in helping these companies to overcome the challenges they have faced and will continue to face among all the uncertainty.

Depending on the business and the situation, some TSX stocks could see a major increase in share prices.

Businesses that are still trading well below their 52-week highs and that will see a significant increase in their business activity should be some of the best performers.

Not only are they well undervalued, but now, as their business activity increases and uncertainty around their business starts to be diminished, investor appetite will slowly heat up.

One stock in particular that looks set for a major increase is **A&W Revenue Royalties** (TSX:AW.UN).

A&W: A top TSX growth stock

Over the past decade, A&W has been one of the hottest growth stocks on the TSX.

Ordering meals at a quick-service restaurants (QSR) has become a growing consumer trend. This consumer trend has coincided with A&W's movement to healthier menu items and a strong marketing campaign that has resonated with consumers.

The resulting growth saw the store count explode through the last decade, sending shares higher by 150% from 2010 to 2020.

A&W is now easily the second-largest burger chain QSR in Canada, trailing only **McDonald's**.

A&W is now one of the most attractive value stocks on the TSX

Despite its incredible growth through the last decade, the fund has been heavily impacted by coronavirus shutdowns, causing its share price to fall substantially.

The restaurant industry has been one of the worst-hit industries from economic shutdowns. However, QSRs such as A&W have fared much better than dine-in restaurants like **Boston Pizza**.

Furthermore, as the economy continues to open up, consumers who remain cautious or whose budgets may be constrained are likely to go to QSRs as opposed to dining in.

This should make a recovery in A&W materialize a lot sooner than many of its restaurant royalty peers.

As of Thursday's close, A&W's stock remained more than 40% off its 52-week high, offering major upside for a top TSX growth stock, as the economy continues to reopen.

A&W today

All in all, besides the impact of coronavirus, A&W's first-quarter earnings were actually quite strong. For the quarter, total same-store sales growth (SSSG) came in down 4%. However, SSSG was positive in both January and February.

The biggest impact was the shutdown of more than 20% or 200 of its 971 locations. Most of those locations are located in malls and other enclosed food courts. However, even the restaurants that have stayed open have suffered a massive reduction in sales.

The impacts of coronavirus started on March 13. In the time frame from March 13 to the end of the quarter, A&W saw sales drop by 42%.

This is a significant decline in sales. However, it's not totally surprising. What's important, though, is that management took the prudent steps to suspend the dividend.

This will leave the top TSX growth stock in a much healthier financial state as it weathers the current economic storm.

Bottom line

Since A&W is a QSR, you can expect it to rebound much faster than a number of its dine-in peers. Plus, with its incredible track record of growth and proven popularity among Canadian consumers, you can expect the company to rebound tremendously.

At more than 40% below its 52-week high, the TSX stock is offering incredible value. And when sales start ramping back up, and the fund is earning money again, look for that major dividend yield to be reinstated.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)

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Date
2025/09/10
Date Created
2020/05/29
Author
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