Did You Miss the Market Rally? Consider Buying These 2 TSX Stocks

Description

Canadian investors who missed participating in the stock market recovery rally: here are the top two TSX stocks that are still trading low and have the potential to rake in huge profits.

Spin Master

Spin Master (TSX:TOY) stock has recently shown a recovery. However, the pace of recovery has been low, and Spin Master stock is still down about 50% so far this year. Lower demand for most of its product categories and supply-chain disruptions weighed on its stock price. Besides, pressure on profitability from self-inflicted operational challenges remained a drag.

Investors should note that Spin Master's problems are likely to abate and are transitory. With its key production facilities operating at full capacity, its supply-chain issues are already been addressed. Meanwhile, **Target** and **Walmart**, two of its biggest customers, have continued to operate during the lockdown and have not stopped their purchases from Spin Master. Moreover, **Amazon** has also resumed its purchases after halting them briefly.

Spin Master has taken measures to deal with its operational challenges. The toy maker's restructuring and cost-management initiatives could lead to improved operational efficiencies and support its margins.

While challenges persist in the short term, I believe Spin Master stock remains well positioned to generate substantial gains in the long run. The toy company's diversified product offerings, including the high-growth digital portfolio and strong global footprint should support the upside in its stock. Meanwhile, its strong financial position enables it to accelerate growth through strategic acquisitions.

Moreover, with considerable decline in its value and the peak sales season in the offing, Spin Master stock is a must-have in your portfolio.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is another stock that is still trading low and has solid long-term growth potential. The oil price crash led to a sharp sell-off in Pembina stock. Though the stock marked a healthy recovery in the past couple of months, it is still down about 26% on a year-to-date basis, which presents an excellent buying opportunity.

Pembina, being a pipeline company, doesn't have much direct commodity exposure. Also, it has diversified its business across commodities, which reduces risks. Moreover, its EBITDA is backed by long-term, fee-based contracts. Investors should note that majority of these contracts have no price or volume risks, which is encouraging.

Pembina's continued investments and strategic acquisitions have transformed it into a highly contracted business with resilient cash flow streams. Further, its dividends are backed by fee-based cash flows that eliminate payout risk.

Pembina's balance sheet remains strong with ample liquidity. Besides, its ability to consistently generate steady cash flows should be more than enough to meet its operating obligations and fund its dividends. The company reduced its capex outlook for 2020. However, spending on projects that are expected to come into service in 2020 continues.

Pembina's low-risk and highly contracted business, diversified cash flow streams, and consistent dividend growth makes it a perfect stock for both value- and income-seeking investors.

CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)
3. TSX:TOY (Spin Master)

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