



2 Stocks That Could Soar Once a COVID-19 Vaccine Arrives

Description

The COVID-19 pandemic is an unprecedented socio-economic disaster that's [decimated](#) various sectors of the global economy. It's good to be optimistic about the gradual economic reopening. But it's also wise to be prepared for any [reopening rollbacks](#) that could happen at any time, as long as the insidious coronavirus is still out there.

Until there's an effective vaccine that passes all clinical trials and is readily available for distribution, there will be sectors of the economy that will struggle to return to pre-pandemic levels of normalcy. Many of the stocks within the hardest-hit industries are already priced with disastrous outcomes in mind, though. And if a vaccine were to land, and this pandemic were to end sooner rather than later, it's these such stocks that could correct very sharply to the upside over a very short timespan.

For at-risk stocks that depend on the timely arrival of a vaccine, substantial pain and volatility are to be expected until that one exogenous event happens.

For many, the risks and volatility involved with such bets aren't worth the shot at outsized rewards, but for those with a balanced "barbell" portfolio, it's well worth placing bets on some of the battered stocks that could pop on news of a vaccine breakthrough.

This piece will have a look at two battered stocks that could potentially be multi-baggers if a COVID-19 vaccine breakthrough were to happen.

MTY Food Group

MTY Food Group ([TSX:MTY](#)) is a Canadian franchisor and operator of various fast-casual restaurants, most notably food court staples like Taco Time, Thai Express, Extreme Pita, among others. Shares of MTY took a brunt of the damage amid the coronavirus downturn, with the stock losing around 75% of its value from peak to trough.

There's no question that coronavirus shutdowns would severely impact sales numbers, but that's an excessive decline, to say the least. While it's tough to gauge the intrinsic value of the stock with the

coronavirus out there, shares could prove to be severely undervalued if a vaccine were to arrive in a timely fashion.

MTY stock trades at just 1.04 times book, which is below the five-year historical average of 3.2 times book. The company has a decent liquidity position with a 0.72 current ratio, but there is a considerable amount of debt weighing down the balance sheet. Sales could recover in a gradual economic reopening, but until a vaccine lands, MTY is unlikely to see its pre-pandemic heights.

Air Canada

Air Canada ([TSX:AC](#)) has become one of the most followed stocks of late. Shares of the Canadian airline got slashed in half twice, plunging over 75% from peak to trough on the coronavirus crash. Back in January, I'd warned investors that such a crash was looming, urging investors to take their profits on the name before they got wiped out by a coronavirus that most North American investors were shrugging off at the time.

Today, Air Canada trades at a fraction of the price, and the company is in survival mode. The company has a stellar liquidity position, and management has reduced the cash burn rate significantly. But with government-mandated travel restrictions that could keep sales numbers depressed until a vaccine lands, Air Canada stock ought to be treated as a spec bet that could potentially move towards zero in a worst-case scenario.

Air Canada stock is not for the faint of heart, but if you're looking to maximize your upside on the timely arrival of a vaccine, AC stock is a worthy bet, as the company continues cutting capacity to shore up cash and improve its odds of surviving the coronavirus typhoon.

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