2 Top TSX 60 Stocks That Are Stupidly Cheap Right Now

Description

The U.S. indices may have mostly recovered (fully recovered and then some for the NASDAQ) from the COVID-19 crisis, but there's still an abundance in value on TSX 60. The **TSX Index** may be chock full of uninvestable junior energy and materials companies, many of which are sitting in the cross-hairs of the crisis. But if you're a self-guided investor, you can pick your spots and scoop up shares of a company that will improve your chances of achieving excess risk-adjusted returns (market-beating returns) over the next year and beyond.

With the markets at a crossroads, consider scooping up the following heavily out-of-favour TSX 60 plays while they're down and out over mounting macro headwinds.

Alimentation Couche-Tard: A TSX 60 growth darling that could soar out of this pandemic

Alimentation Couche-Tard (TSX:ATD.B) is a convenience store (c-store) consolidator that's formed a pretty wide moat around the c-store and gas station industry. Management has unlocked tremendous value via M&A activities (acquisitions and asset swaps), which has fueled high ROIC growth over the years.

More recently, management has pulled the breaks on deal making amid the coronavirus crisis, taking a rain check on Caltex Australia, which would have given Couche-Tard the Australasian foundation it wanted. As a result, Couche-Tard now has incredibly deep pockets that can help it better weather the coronavirus typhoon, also allowing it more than enough financial flexibility to go bargain hunting for smaller peers that are distressed by the crisis.

Couche-Tard also has three overlooked tailwinds that could propel it out of this pandemic.

First, Couche-Tard stands to be a significant beneficiary, as road trips and staycations surge in the place of air travel and cruising over the summer months. People are passing on the air travel and cruises for road trips, and the rise in road trips means more visits to Couche-Tard's c-stores and gas stations. Couche-Tard isn't just resilient in the face of this pandemic; it's also poised to ride high on some pandemic tailwinds, which could fuel a big earnings beat over the coming quarters.

Second, as social-distancing guidelines ease alongside the gradual reopening of the economy, we'll likely see c-store traffic return to normalized conditions.

Third, Couche-Tard's Albertan co-location pilot project with cannabis retailer **Fire & Flower** could be another massive boon for sales, as management looks for signs of a symbiosis.

Given the potential tailwinds that could propel Couche-Tard's sales numbers going into year-end, I find it ridiculous that the stock is trading at a mere 0.7 times sales. I suspect the stock's undervaluation will be corrected in the second half of the year and think the stock could surge as high as $55, which implies 22% upside from today's levels.

Restaurant Brands International: The pandemic isn't just a headwind for the fast-food kingpin

Restaurant Brands International (TSX:QSR)(NYSE:QSR) can't seem to catch a break. The company behind Tim Hortons, Popeyes, and Burger King is in a slump alongside most other restaurant stocks, as COVID-19 has severely hurt sales. While most view the pandemic as a massive headwind for the fast-food industry, I see it as a medium-term interruption that could have positive longer-term effects.

Dining room closures and all the sort are bad news for any fast-food chain. Sales slumps and negative comparable same-store sales have become all too common amid this pandemic. What many may be ignoring is the strength in mobile orders, delivery, and drive-thru. I believe the strength across mobile ordering and delivery will remain once this pandemic ends.

In a way, this pandemic is helping Restaurant Brands pick up traction in the mobile and delivery market. While the pandemic will continue to weigh on near-term results, I suspect a very sudden recovery once COVID-19 abates (further) in the U.S. and Canada. Once dining rooms reopen across the globe, count me as unsurprised if people rush back into the local Popeyes for the legendary chicken sandwich or Burger King for the red-hot Impossible Whopper.

For now, there's a juicy 3.8%-yielding dividend to collect while you wait for QSR stock to stage what I believe will be a V-shaped recovery back to $100.

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