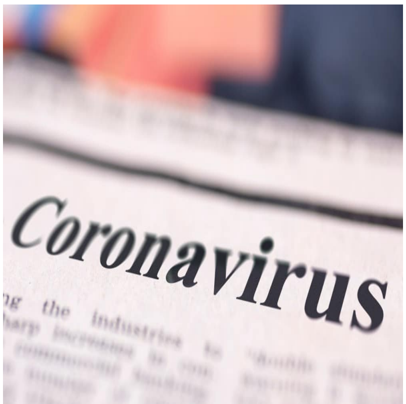

2 COVID-Hit Stocks That Could “Correct to the Upside” in 2 Years

Description

The COVID-19 pandemic is a socio-economic disaster that’s ravaged various sectors of the economy. Fortunately, this horrific pandemic isn’t going to last forever. And while the stock market may have mostly recovered from the crisis, various hard-hit businesses have yet to recover over concerns that this COVID-19 pandemic could drag on past 2021 and beyond.

While there’s no sense timing the coronavirus vaccine timeline over the near term, I think it makes sense for long-term thinkers to buy shares of some of the hardest-hit companies out there. Once a vaccine breakthrough happens, they could correct very sharply to the upside. Whether it happens later this year or next year is anyone’s guess. Still, if you’re bullish on the advent of a vaccine or a return to normalcy within the next two years, it makes a lot of sense to buy what everybody else is selling at this market crossroads.

This piece will have a look at three severely impacted firms that may make sense to hold if you’ve got the tolerance to take on short-term pain for a shot at long-term gains.

Air Canada

Air Canada (TSX:AC) is a company that needs no introduction. It, along with the entire airline industry, has been in turmoil over the last several months, as COVID-19 has sent revenues plunging to unprecedented depths. Back in early February, just weeks before Air Canada stock fell off a cliff, I’d urged investors to sell Air Canada because the coronavirus, which was not yet a pandemic, would likely crush the demand for international air travel. Air Canada, which derives a considerable chunk of its revenues from international flights, had a new slate of risks and a valuation that I viewed as absurd at the time.

Fast forward to today, and Air Canada has suffered a massive fall from grace, as COVID-19 spread across the globe. The company has done everything under its power to improve its chances of survival. Capacity cuts and efficiency efforts have lowered cash burns rates. At the same time, the company continues to build upon its solid liquidity positioning. With far less leverage than its peers south of the border, Air Canada looks destined to be a survivor. And if we’re due for a vaccine in 2021, the stock could prove to be severely undervalued here, especially if you think vaccinated people will hit the skies faster than what most analysts believe currently.

While there's considerable uncertainty surrounding the name, I'd still buy it given the compelling high-risk/high-reward trade-off that looks to be tilted in favour of the investor.

Restaurant Brands International

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is feeling the pressure, like almost every other restaurant out there. It has deep pockets and an ever-improving mobile and delivery platform; however, Restaurant Brands is likely to see its three chains (Tim Hortons, Burger King, and Popeyes) surge out of this pandemic.

Once a vaccine lands, dining rooms will reopen, and I think the company's momentum in mobile and delivery will remain. You can't unlearn the use of technology, after all! Moreover, Restaurant Brands will also be back to where it was before the pandemic sent shares off a cliff. With one of the hottest menu items in the industry's history in the iconic Popeyes chicken sandwich being served up, I think the fast-food kingpin will be well on its way past the $100 mark in no time.

The company has a stellar liquidity position (1.98 and 2.08 quick and current ratios). While the road to recovery will undoubtedly be bumpy, I'd say the long-term fundamentals have never been more attractive, despite the COVID-induced disruption that will persist over the intermediate term.

As you wait for the fast-food kingpin to return to a pre-COVID environment, there's a juicy 3.7% dividend yield to collect.

CATEGORY

1. Coronavirus
2. Investing
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TICKERS GLOBAL

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joefrenette