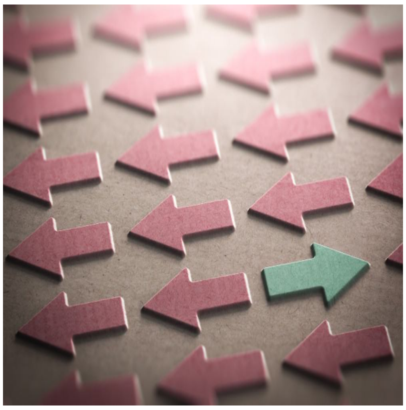

Contrarian Investors: 2 Stocks That Could Fetch Huge Returns in 3 Years

Description

If you're an investor who likes to go against the tide and is on the lookout for stocks to earn big, I have a couple of suggestions. The virus has invaded these businesses and weighed heavily on the stock prices. However, as the economic activities increase and lockdown measures are eased, these stocks could fetch stellar returns or more than double in three years. Needless to emphasize, these stocks also carry a high degree of risk.

So, without further ado, let's meet the contrarians.

Air Canada

With a nearly 69% year-to-date decline in its stock, **Air Canada** (TSX:AC) is my top contrarian pick offering exceptional value. Grounding of its aircraft and sealing of international borders amid the COVID-19 outbreak hit Air Canada stock badly. However, the company has announced several cost-cutting measures to lower its net cash burn rate and stay afloat amid the challenges.

While it is highly uncertain to forecast the pace of the recovery, Air Canada said that it could take near about three years for the industry to reach pre-pandemic levels.

With so many countries and companies engaged in developing a vaccine for COVID-19, I expect Air Canada could take less time to reach its past glory. The vaccine is likely to push its passenger volumes and revenues higher.

Airline companies are already witnessing a sequential improvement in passenger volumes (though it's too low). Meanwhile, the gradual reopening of international borders is likely to be a big boost. However, with the pandemic in the background and vaccine still at large, the near-term prospects look challenging. But if you can hold the stock for at least three years without losing sleep, Air Canada stock could generate huge returns.

Suncor Energy

Similar to Air Canada, **Suncor Energy** (TSX:SU)(NYSE:SU) also took a significant amount of hit from the virus. Its stock has lost nearly 50% of its value this year, as a decline in demand and a supply glut dragged crude oil prices down.

The oil prices got some support from the extension of the production cut from the OPEC+ countries. However, it is still trading at a multi-year low. But Suncor's integrated business model, significant cost-cutting measures, and WTI (West Texas Intermediate) crude trading near US$40 per barrel suggest that it can navigate the crisis easily and bounce back strongly once the demand is back.

Its drastic cost-reduction measures have helped in lowering the breakeven price to US$35 per barrel. At a WTI price of US$35 per barrel, Suncor could cover all of its costs, meet the planned capex needs, and pay dividends.

Meanwhile, a cushion from its downstream business, a mix-shift toward high-priced light crude, and cost savings should help it stay afloat.

Bottom line

While the near-term outlook for these stocks is blurry, the long-term outlook remains positive. Both these companies are likely to recover fast, as economic activities increase and the infection rate goes down.

Further, both Suncor and Air Canada stock is available at a steep discount, making them an attractive investment option for long-term investors.

CATEGORY

1. Coronavirus
2. Energy Stocks
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