2 Cheap TSX Stocks to Buy Right Now

Description

The financial markets across the world have recovered strongly after bottoming out in March. Currently, the S&P/TSX Composite Index trades just 3.3% lower for this year. However, some of the companies have failed to participate in this recovery rally and provide excellent buying opportunities.

In this article, we will be looking at two such companies, which are cheap but have strong growth potential.

Restaurant Brands International

My first pick is **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), which owns Burger King, Tim Hortons, and Popeyes. It has lost close to 11% of its stock value his year. The temporary closure of restaurants amid the pandemic and its weak second-quarter comparable sales had dragged the company's stock price down.

However, the company's long-term growth prospects remain strong. Its digital sales grew over 120% in the second quarter on a year-over-year basis. Its investment in the drive-thru, digital, and delivery channels drove its online sales. I believe these investments to act as a tailwind for the company in the long term, given the shift in consumer preferences towards delivery and drive-thru services.

Meanwhile, the comparable sales growth of both Burger King and Tim Hortons have shown significant improvement from their March lows. The comparable sales growth of Burger King was flat at the end of July, while that of Tim Hortons stood at negative mid-teens.

Popeyes, which had reported strong comparable-sales growth of 24.8% in the second quarter, has continued its strong performance. Its comparable-sales growth stood at high-20s at the end of July.

Meanwhile, Restaurant Brands International's liquidity position looks strong, with the cash and cash equivalents of US$1.5 billion as of June 30. Currently, the company trades at a forward EV-to-sales multiple of 7.2 compared to its average of 7.9 over the last three years.

So, given its strong liquidity, improving sales, and attractive valuation, Restaurant Brands International provides an excellent buying opportunity.

Canopy Growth

My second pick is **Canopy Growth** (TSX:WEED)(NYSE:CGC), which trades over 17% lower for this year. The weak fourth-quarter performance had led to a fall in its stock price. However, on Monday, the company reported better-than-expected first-quarter performance.

Its revenue came in at $110.4, beating analysts' expectations of $93.5 million. Also, its adjusted EBITDA losses stood at $92.2 million, which was significantly lower than analysts' projections. The growth in its medical cannabis sales drove the company's revenue. However, its recreational sales declined due to the temporary closure of stores amid the pandemic and increased competition.

Meanwhile, Canopy Growth is focusing on strengthening its position in the value segment and Cannabis 2.0 products to gain market share. It has repositioned its value brand Tweed dried flower across Canada.

The company has already introduced four cannabis-infused beverages, two vape product products, and various cannabis-infused chocolates in Canada. Its Cannabis 2.0 sales accounted for 13% of the company's total B2B sales in the country.

Also, Canopy Growth has stepped up its activities in the United States to drive its sales. It recently launched an e-commerce site where the customers can buy any of the company's CBD products. It has also expanded the distribution of its BioSteel RTD non-CBD beverages and S&B vaporizer products to the key markets across the United States.

Meanwhile, the company has planned to launch its health and wellness CBD products under the Martha Stewart brand in the next few weeks. So, I believe Canopy Growth is a perfect fit for long-term investors, given its robust growth potential.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)
4. TSX:WEED (Canopy Growth)

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