



Contrarian Investing: 2 TSX Stocks to Double Your Investments

Description

Contrarian investing is a strategy where investors purchase or sell stocks against the prevailing market sentiments. These investors look for stocks that are offering exceptional value. The pandemic has taken a severe toll on some of the businesses, eroding over 50% of their stock values.

So, in this article, we will look at two TSX stocks that have lost significant share value but have the potential to double your investments over the next three years.

Air Canada

My first pick is **Air Canada** ([TSX:AC](#)), which trades 67% lower for this year. Grounding aircraft, sealing of the international borders, and the high COVID-19 infections have taken a toll on the airline companies, including Air Canada.

In its [recently announced second-quarter earnings](#), the company reported a year-over-year decline of over 89% in its revenue. It transported only 4% of the passengers that it had carried in the previous year's quarters. It burnt over \$1.7 billion of cash during the quarter.

Meanwhile, the company has taken several cost-cutting initiatives, such as reducing its workforce by over 50%, to reduce its cash burn. The management expects its cash burn to fall in the third quarter and come in the range of \$1.35 billion-\$1.6 billion.

Meanwhile, Air Canada has strengthened its liquidity position by raising over \$5.5 billion through new equity offerings, debt, and aircraft financings, thus increasing its liquidity to \$9.12 billion at the end of the second quarter. So, the company is well-equipped to survive this crisis and rebound strongly.

With the progress in the development of the vaccine and the spread of COVID-19 infections slowing down in North America, I believe the worst might be over for Air Canada investors.

With many countries starting to reopen their borders, we could see sequential growth in Air Canada's passenger volume and revenue. So, I think [Air Canada's stock could easily double from its current depressed levels](#)

within the next three years.

Aurora Cannabis

My second pick is **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), which has lost 60% of its stock value this year. The lower-than-expected demand for cannabis-derived products, thriving black market sales, and higher operating losses have dragged the company's stock price down.

However, its long-term growth prospects are still strong. In February, it had launched its value brand, Daily Special, to compete against the black market products. Meanwhile, the brand has received a favourable response from customers. It also helped the company in increasing its market share.

In the last quarter, the company generated over 40%, or \$30.5 million, of revenue from medical cannabis. Meanwhile, in February, the company's Aurora River facility received E.U. GMP (European Union Good Manufacturing Practice) certification, which allows the company to export medical cannabis products to any country in Europe that has legalized cannabis. So, I expect the E.U. GMP certificate to boost its medical sales further.

Meanwhile, in May, Aurora Cannabis closed the acquisition of Reliva, which produces and markets hemp-derived CBD products in the United States. The acquisition has given Aurora Cannabis an entry into the lucrative CBD market, which could reach US\$20 billion by 2024. So, the company's growth potential looks robust.

The company's management is also working on reducing its expenditures. It plans to reduce its headcount by over 30% over the next two quarters. To improve its efficiency, the company is consolidating its production process by closing five lesser-efficient production facilities. With all these cost-cutting initiatives, the company targets to report positive EBITDA by the quarter that ends in September 2020.

So, given its strong growth prospects and efforts to improve its margins, I am bullish on Aurora Cannabis. I expect the company's stock could easily double over the next three years.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Editor's Choice

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