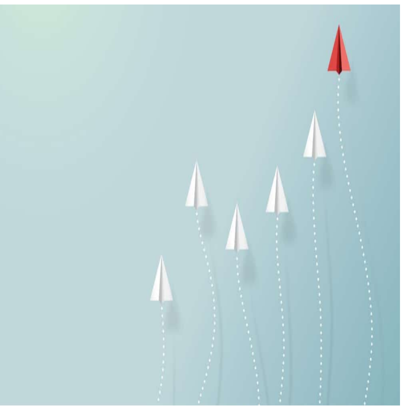

2 Top TSX Stocks That Could Soar in a Post-Pandemic World

Description

The only thing more unprecedented than the COVID-19 sell-off earlier this year is the relief rally that brought the major **S&P 500** back to new heights this month. There's no question that high-tech growth stocks have led the upward charge, while many other stocks have only participated in the rally to a minimal extent.

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That's a significant reason why the tech-light **TSX Index** is dragging behind major U.S. indices; it's currently down over 7% from pre-pandemic highs. Not to mention the TSX Index has a relatively more substantial weighting in financials and energy, two industries that have been decimated by the COVID-19 pandemic.

With vaccine optimism and an increased focus on the post-pandemic environment, there's no question that the COVID-hit, first-half laggards could have a heck of a lot of room to run, as they look to play catch up with their tech-savvy brothers that have been riding high on pandemic tailwinds.

Now, nobody knows how long this current growth-to-value rotation will last. Still, it makes sense to embrace a "barbell" approach, owning both the COVID-hit stocks that have lagged and the COVID-resilient stocks that have been the biggest winners of late. That way, you'll be able to improve your portfolio's risk-adjusted returns, regardless of what's next with this pandemic.

TSX stocks to bet on in a post-pandemic environment

This piece will have a look at two stocks that I think could have outsized upside, as we inch closer to a post-pandemic environment. Now, I have no idea when an effective vaccine will land, nor does anyone else. If you've got a five-year (or longer) time horizon, though, the following two dogs with steady balance sheets, I believe, should be in a position to outperform the broader pack over the long run.

MTY Food Group

MTY Food Group (TSX:MTY) is a food court kingpin that's taken a beating amid COVID-19-induced shutdowns in the first half. The stock lost over 70% of its value in the coronavirus sell-off, and while the name has regained some ground, the stock remains absurdly undervalued, opening up a window of opportunity for bargain hunters to jump in before good vaccine news has a chance to propel the stock higher.

I'm of the belief that more than just a bear-case scenario with this pandemic is already baked in. Given the magnitude of the decline, it seems as though some risk of insolvency is implied in the current valuation.

While the company doesn't have the best balance sheet on the planet given the high degree of disruption to its operating cash flow stream amid the worst of the shutdowns, I think MTY will make it through on its own with its somewhat decent liquidity position (0.65 current ratio). As the Canadian economy continues reopening in phases, I see MTY clocking in unprecedented quarter-over-quarter sales growth numbers, as the company bounces back from the worst crisis in its history.

Recipe Unlimited

Sticking with the battered restaurant theme, we have **Recipe Unlimited** (TSX:RECP), formerly known as Cara Operations. The company owns various restaurant chains, mainly dine-in, in addition to various other food distribution businesses.

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Given a huge chunk of the firm's chains are dining-in-focused, with a weaker delivery infrastructure relative to many of its quick-serve peers, it's not a mystery as to why shares collapsed back in February and March. At the time of writing, the stock is down around 72% from its all-time highs, but having barely budged higher, I think there's ample upside to be had in the restaurant play that owns some of the best-known dine-in restaurant brands in the country.

Shares trade at 2.2 times book value, which is close to the lowest it's been in recent memory. If you've got five years or more to hold, you'll likely be able to rake in the excess returns as the name corrects to the upside

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