



## 2 Cheap TSX Stocks With Room to Soar

### Description

There are plenty of **TSX** stocks with room to run as vaccine optimism picks up going into 2021. As rapid-testing technologies, COVID-19 treatments, improved contact-tracing, and effective vaccines emerge from the pipelines of various biotechnology innovators; we could witness a considerable rotation out of the first half's tech winners and into neglected value stocks that have been kept depressed by COVID-19 headwinds.

When will COVID-19 headwinds fade away? That's [the million-dollar question](#). Fortunately, you don't need a precise vaccine timeline if you're looking to you're willing to hang onto a name for years at a time. Just reach for the undervalued names with strong enough balance sheets to navigate through this crisis and ample financial flexibility to minimize business erosion as a result of COVID-19 disruptions.

This piece will have a look at two neglected value stocks that could make up for lost time over the next year, as the world looks to heal from this crisis.

### Alimentation Couche-Tard

**Alimentation Couche-Tard** (TSX:ATD.B) is a recession and pandemic-resilient growth stock that's demonstrated its robustness over the past few months. Despite this, the stock fell into a correction, bringing shares into severely undervalued territory. As I wrote in a prior piece, Couche-Tard had a lot of reasons to trade at a premium to that of its historical averages. Yet, the stock was being unfairly punished, likely because of the impatience of investors over a lack of M&A activities.

Sometimes Mr. Market has his blunders when pricing stocks, and the recent correction in Couche-Tard stock, I thought, was a huge one that Canadians should have capitalized on.

On Wednesday, Couche-Tard corrected to the upside, surging nearly 8% in a single trading session on the release of a blowout quarter that saw net profit soar 44%. Couche CEO Brian Hannasch noted that he's looking for acquisitions, but didn't understand the recent US\$21 billion Speedway deal made by 7-Eleven.

In a [prior piece](#), I noted that 7-Eleven's blockbuster deal was on the expensive side while commending Brian Hannasch and company for not getting into a bidding war on a deal that had the potential to be value destructive given the hefty price tag.

With Couche-Tard shares flirting with all-time highs, I'd say now is as good a time as any to get in, before the company has a chance to announce a blockbuster of its own (Couche has more than enough liquidity to pull the trigger on an elephant), which, unlike 7-Eleven's latest deal will have value written all over it. Couche-Tard's latest quarter was nothing short of stellar, even given the drop in fuel sales.

## MTY Food Group

**MTY Food Group** ([TSX:MTY](#)) took a hit to the chin amid this crisis. The firm behind various food court staples has been feeling the COVID-19 impact like few other businesses out there. Deserted malls and shuttered dining areas have caused cash flows to nosedive. Once this pandemic ends, though, I suspect MTY's sales rebound could have the potential to be very sharp. The only question is whether MTY will be able to survive this crisis should it worsen and drag on for more than another year.

The company doesn't have the best balance sheet in the world, so there's a considerable amount of risks relative to the likes of a resilient name like Couche-Tard. As such, investors should only invest what they're willing to lose in a high-stakes bet like MTY. The stock has a multitude of upside potential, but unless you've got the stomach to hang onto the name for the duration of this crisis, it's unlikely you'll be rewarded with such upside.

Shares of MTY surged 8% on Wednesday in a broader growth-to-value rotation, but the stock is still a country mile away from its pre-pandemic heights. If you're young and fearless, I'd say why not place a bet on the name as a part of a balanced barbell portfolio?

### CATEGORY

1. Coronavirus
2. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:MTY (MTY Food Group)

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