2 TSX Stocks With Massive Post-Pandemic Upside

Description

Many Canadians have likely become fed up with the **TSX Index**, as it struggles to recover ground lost in the 2020 market crash. While it's definitely tempting to ditch your TSX stocks in your TFSA for hotter, U.S.-traded names, I'd argue that there's greater value (and more post-pandemic upside) to be had on this side of the border for those looking for post-pandemic upside.

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This piece will have a look at two Canadian stocks that have at least 30% worth of year-ahead upside, according to my personal financial models. My models assume that a safe and effective vaccine will be widely available for distribution by autumn 2021.

Of course, the advent of a COVID-19 vaccine could take longer, in which case the following stocks may continue pulling back before they can bounce. Regardless, I believe the following names have compelling margins of safety and are great buys right now, even if the pandemic worsens before it gets any better.

Brookfield Asset Management: A misunderstood asset manager with big post-pandemic upside

First on my list is **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). This diversified alternative asset manager has the backing of exceptional managers who know how to beat the market like nobody else's business. Shares of BAM have fallen under pressure amid the coronavirus pandemic, dragged down by its exposure to retail real estate (malls in particular) under its property partners business.

As you may know, I'm a raging bull on the malls at these depths and think that the demand for retail space will be less changed over the long run than most think. Apart from Brookfield's real estate sore spot, its other assets are absurdly robust and will be poised to continue generating an ample amount of cash flow throughout this crisis.

Another reason to own BAM is its stellar balance sheet, with north of $77 billion worth of liquidity, leaving it open to acquisition opportunities as they come along. Today, BAM stock trades at 1.8 times book value, which is far too cheap relative to the calibre of assets you're getting under the legendary Brookfield banner. I think the stock could bounce 30% over the next year as the economy heals from this crisis.

Alimentation Couche-Tard: A "growthy" consumer staple that's perfected the art of M&A

Alimentation Couche-Tard (TSX:ATD.B) is a convenience store kingpin that's grown primarily through acquisitions over the years. Like Brookfield, Couche-Tard has wonderful managers running the show. They know how to create long-term value via M&A like few others in the business.

Having walked away from Caltex amid this crisis, Couche has a ridiculously strong balance sheet and enough liquidity to pull the trigger on an elephant. The managers at Couche are as patient as they come, but once that opportunity comes, I suspect Couche could be propelled to new heights upon the announcement of a long-awaited deal.

In the meantime, Couche will continue to face minimal disruption to its cash flows, as one of the few recession- and pandemic-resilient consumer staples on the TSX Index. As the firm continues adding fresh food items in its stores while experimenting with cannabis (through its stake in Fire & Flower), I suspect Couche still has a tonne of EPS growth left in the tank and think shares are undervalued at this juncture. I think Couche is a $60 stock that's capable of 40% post-pandemic upside from these levels.

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Once this pandemic ends, we'll likely be stuck in a recession for a while. And if that's the case, expect Couche-Tard to be a leader, as it looks to double its net income within five years.

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joefrenette

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