Bag a Bargain: Invest $1,000 in These Beaten-Down Stocks Now

Description

Despite a stellar recovery in the stock market, a few **TSX**-listed stocks continue to trade low. As the pandemic eroded demand, these stocks witnessed a sharp selloff. Besides, the ongoing spread of the coronavirus continues to play spoilsport.

However, I believe it's time to invest in some of these beaten-down names, as the economic activities increase, and we inch closer to a vaccine. Investors should note that these stocks have the potential to generate good returns and could beat the benchmark index by a wide margin, as they regain momentum.

So, if you got $1,000 to invest, I have identified three beaten-down stocks with higher risk/reward ratio.

BlackBerry

With its shares down about 27% year to date, **BlackBerry** (TSX:BB)(NYSE:BB) is among the top recovery bets you should keep an eye on. BlackBerry stock got a beating due to its exposure to the struggling auto sector. However, as the economic activities are picking up the pace, and the auto industry is showing signs of revival, BlackBerry stock could rebound strongly.

Commenting on its recent quarterly performance, BlackBerry's CEO John Chen said, "some signs of recovery in auto production point to sequential revenue growth and a return to a normal run rate for QNX by early next year."

Notably, BlackBerry's top line improved both on a year over year and sequential basis during the most recent quarter. Moreover, sustained demand for its secure "work-from-anywhere" solutions continue to support its revenues.

BlackBerry continues to expand its customer base, increasing its recurring software product revenues, and is focusing on reducing debt, which is encouraging. Continued demand for its security solutions and a recovery in the auto production indicate that its stock could soon regain momentum.

Gildan Activewear

Next up are the shares of the Canadian clothing manufacturer, **Gildan Activewear** (TSX:GIL)(NYSE:GIL). The government-mandated closures took a toll on its revenues and, in turn, its stock. The company reported a 71% decline in its top line during the most recent quarter. Meanwhile, its stock is down about 32% year to date.

While challenges persist, Gildan Activewear has started to see green shoots of recovery. Investors should note that all of its imprintables distributor customer warehouses and the majority of retailers have re-opened in the United States. Moreover, certain categories in the imprintables channel in the U.S. have begun to see improvement. Meanwhile, declines in Europe and Latin America have started to decelerate. Further, its retail channel sales are also witnessing better sell-through trends.

With improving demand trends, resumption of production at its various facilities, and reduced cost base, Gildan Activewear is likely to generate strong returns.

Air Canada

Shares of **Air Canada** (TSX:AC) are one of the top post-pandemic recovery plays. As the coronavirus decimated demand for the passenger airline companies, Air Canada stock plunged nearly 68% year to date. While the continued spread of the virus remains a drag, the resumption of domestic flights and increased cargo capacity is comforting. Further, strong cost-cutting measures should boost liquidity.

While these measures are likely to help Air Canada to manage through the current challenges, it could take at least three to four years for Air Canada stock to reach the pre-pandemic levels. Being the largest passenger airline company in Canada, Air Canada remains well positioned to benefit from the recovery in demand.

However, investors with a medium- to long-term outlook should bet on Air Canada stock, as the return of customer demand is essential to its recovery.

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