Canadian Investors: These 2 Growth Stocks Just Became Too Cheap to Ignore

Description

Mr. Market doesn't throw perfect pitches your way every day, but when he does, you should be ready to swing. This piece will have a closer look at two **TSX** growth stocks that have fallen out of favour in recent months and for no real good reason. Although the TSX Index looks to be on unstable footing heading into year's end, I still think each name is capable of considerable outperformance, as they look to correct to the upside.

In no particular order, consider scooping up the following growth names on the dip at today's critical market crossroads:

Alimentation Couche-Tard

Couche-Tard (TSX:ATD.B) might be one of the most misunderstood Canadian stocks out there right now. The convenience store kingpin that's primarily grown via M&A has been quiet amid the pandemic.

Meanwhile, its balance sheet has strengthened profoundly, with enough liquidity to pull the trigger on a massive synergy-creative deal or series of smaller deals. When Couche will finally act is anybody's guess, but once a deal is announced, I suspect Couche stock will regain traction, as impatient Canadian investors return to the name that still has plenty of growth left in the tank.

The company has a goal of doubling net income within five years and I think it'll reach its goal despite of the pandemic. The firm grew averaged 25% in net income growth over the last three years, alongside an average 14.5% ROIC. Couche is a profoundly profitable low-risk growth stock with an exceptional management team, yet the stock trades like a stalwart at just 0.7 times sales and 16.3 times next year's expected earnings.

Couche is a classic underpricing by Mr. Market and will encourage Canadian investors to scoop up shares while they're cheap. Not only are the long-term fundamentals strong, but the name is also very recession- and pandemic-resilient.

Restaurant Brands International

Restaurant Brands International (TSX:QSR)(NYSE:QSR) may not have the best managers in the world, but there's no denying the power of the firm's incredible brands. The fast-food behemoth behind Burger King, Tim Hortons, and Popeyes Louisiana Kitchen has been under pressure amid the pandemic, with sales that have drastically fallen off. While the company has made progress with its mobile and delivery platform, it hasn't been nearly as resilient to COVID-19 disruptions as some of its larger peers.

The firm recently clocked in weak results, sparking a vicious 4% single-day drop. Given the COVID-19 impact, I thought the miss was no surprise and that Canadian investors overlooked some bright spots in an otherwise bleak quarter.

Burger King and Tim Hortons dragged, with comparable-store sales dropping by 7% and 12.5%, respectively. But Popeyes saw its comps soar nearly 18% thanks in part to its legendary chicken sandwich, which has been the envy of the fast-food industry over the past year, paving the way for copycats including the likes of **Yum Brands**' KFC and mouth-watering new famous chicken sandwich.

The strength in Popeyes is real and will encourage Canadian investors to forgive the shortcomings of QSR's other two brands. Restaurant Brands, I believe, will eventually catch up as quick-serve restaurants continue to rebound from this unprecedented crisis. Tuesday's excessive 4% post-earnings drop looks to be a gift to investors courtesy of Mr. Market.

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