COVID-19 Vaccine: Where to Invest $1,000 Right Now for Stellar Returns

Description

As we inch closer to having a COVID-19 vaccine, it's time to load up on **TSX** stocks that are available at a significant discount from their pre-pandemic levels. While it could still take a few more months before the coronavirus vaccine hits the market, it's prudent to buy these fundamentally strong TSX stocks as they offer excellent value.

A top energy stock

Suncor Energy (TSX:SU)(NYSE:SU) stock is still down over 50% on a year-to-date basis as significant demand erosion and high global inventory took a toll on oil prices. However, **Pfizer** and **Moderna**'s positive development on a potential COVID-19 vaccine gives hopes of a quick recovery for Suncor Energy stock.

Suncor has also started to show improvement on the financial front. In its most recent quarter, the company reported an operating loss of $302 million, which narrowed sharply from $1.5 billion in the previous quarter. Also, Suncor's funds from operations jumped from $488 million to $1.2 billion.

While its financial performance shows sequential improvement, the company's focus on reducing costs, normalizing demand in India and China, and an uptick in economic activities worldwide should cushion its bottom line in the coming quarters and support the recovery in its stock. Also, Suncor Energy's long-life assets and integrated business model provides it with an edge over peers.

Suncor stock is trading at a forward EV-to-Sales multiple of 1.7, which is about 2% lower than its historical average. Besides, its stock also offers a decent dividend yield of 4.2%.

Passenger airline company

Despite the restart of domestic operations and easing of lockdown measures, **Air Canada** (TSX:AC) stock is down about 56% year to date. Negative passenger sentiments, the continued closure of international borders, and the resurgent virus remain a drag on Air Canada stock.

However, with a COVID-19 vaccine, people could soon return to the sky and drive recovery in Air Canada stock. Meanwhile, its key performance metrics like available seat miles and passenger load factor could also mark strong recovery.

Notably, Air Canada witnessed a strong sequential improvement in the most recent quarter. Its net cash burn rate reduced to $818 million in Q3 compared to $1.72 billion in Q2 and management's expectations of $1.35 billion to $1.6 billion. While its revenues and capacity remained low, both showed sequential improvement in Q3.

While uncertainty remains, Air Canada investors could gain big from the recovery in air travel demand.

Energy infrastructure giant

Shares of the energy infrastructure giant **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) are down over 30% and presents an excellent opportunity to play the recovery. Pembina Pipeline operates a low-risk business that is supported by long-term contracts.

Pembina Pipeline's exposure to diverse commodities and fee-based contracts reduces risk and drives its adjusted EBITDA. While a recovery in demand for energy is likely to drive Pembina Pipeline stock higher, its robust dividend payments are likely to boost investors' returns.

Pembina Pipeline stock offers a dividend yield of 8.1%. Meanwhile, its payout ratio is sustainable in the long run, thanks to its ability to continue to generate strong fee-based cash flows.

Pembina Pipeline offers good value at the current levels as its stock trades at a forward EV-to-EBITDA multiple of 9.7, which is well below its historical average of 11.5.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:AC (Air Canada)
4. TSX:PPL (Pembina Pipeline Corporation)
5. TSX:SU (Suncor Energy Inc.)

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snahata

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