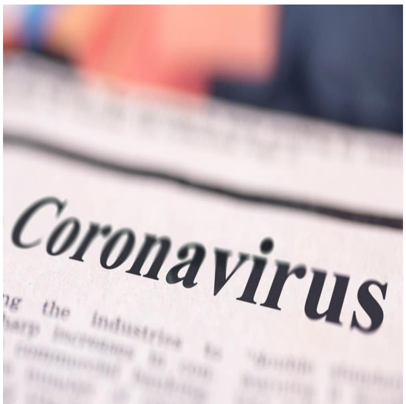

COVID-19 Recovery Stocks on My Radar

Description

The unprecedented coronavirus disease 2019 (COVID-19) pandemic's end is now in sight thanks to a handful of vaccine breakthroughs. The positive news sparked a profound rotation out of defensives back into COVID-19 recovery plays. Such a rotation, I believe, is just getting started and could become a major theme in early 2021, as investors warm up to the value to be had in COVID-hit stocks now that some of the haze has been cleared.

Without further ado, consider **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), **CAE** (TSX:CAE)(NYSE:CAE), and **Air Canada** (TSX:AC), three high-upside bets that could give your portfolio lift next year, as we march closer to conquering COVID-19.

Restaurant Brands

First up, we have a fast-food behemoth that's lagged the pack. Restaurant Brands, the firm behind Tim Hortons, Burger King, and Popeyes, may not have had the best mobile, drive-thru, and delivery options heading into the pandemic, but it's made an effort to commit to modernizing on all fronts over the next few years.

With dining rooms likely going on the close once again amid the second wave, Restaurant Brands could be in for yet another hit. But with a vaccine in sight, investors should forgive any shortcomings for the firm's coming quarter because the quick-serve restaurant stock has the most room to run of many of its peers once we're finally out of this pandemic.

For now, the stock sports a juicy 3.5% yield and is ripe for an upside correction as it looks to catch up to its bigger brothers in the fast-food space.

CAE

CAE is a simulator manufacturer that offers training services for civil aviation, defence, and other industries. Like the airline stocks, shares of CAE imploded like a paper bag amid the 2020 coronavirus crash, losing over 60% of its value from peak to trough. It was a nasty plunge that I thought was unwarranted.

“CAE provides the upside of an airline while providing a bit more visibility thanks to its diversification in defence. While CAE may be tricky to value given uncertainties relating to the coronavirus, I see it as more of an investment and less of a speculation compared to the likes of a cash-strapped airline,” I wrote back in April, encouraging investors to buy the undervalued stock amid the chaos in the air travel scene.

Fast-forward to today, and CAE stock has more than doubled off its March lows. The rebound stage has already been set, but I think it has far more room to run, as commercial aviation could rebound far quicker than most pessimistic pundits expect. Moreover, management has done a spectacular job of keeping costs controlled amid this crisis, and I suspect it'll hold its own amid this second wave.

Air Canada

Finally, we have Air Canada, a speculative bet that's now a sound investment with effective vaccines that could be ready early next year. I've been pounding the table on Air Canada stock at around $15 and change, urging investors to look past 2021 to better days.

With the timely advent of several effective vaccines and a promising recovery trajectory looking past the pandemic, there are few reasons not to own the stock if you consider yourself a long-term investor who's willing to hold for at least three years. Air Canada trades at 3.8 times book value and is the least risky it's been all year.

If you seek a multitude of upside from a COVID recovery play, now may be the perfect time to punch your ticket to the Canadian airline before operations have a chance to inch closer towards normalized levels.

CATEGORY

1. Coronavirus

TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:AC (Air Canada)
4. TSX:CAE (CAE Inc.)
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