# My Top 3 Contrarian Stock Picks for 2021

## Description

Many investment banks are bullish about 2021 and the economy's recovery trajectory. With a COVID-19 vaccine rollout underway, the magnitude of uncertainty has fallen considerably. Still, aggregate stock valuations have swelled in recent weeks. There are pockets of severe overvaluation and undervaluation out there, making the current environment a favourable one for self-guided stock pickers.



On the one hand, you've got the pandemic beneficiaries that could be in for a fading of tailwinds in the new year. On the other hand, you've got the COVID-19 recovery plays that could be in for an unprecedented rebound in earnings.

Stocks in the latter camp, I believe, hold the greatest opportunities for young investors looking to maximize their gains in the year ahead. While such plays aren't without their fair share of risks, I still think they're worth betting on, given the potential rewards more than compensates for the amount of risk.

Without further ado, let's get right into my top contrarian picks for the new year. Consider descending order of risk, consider **Cineplex** (TSX:CGX), **Air Canada** (TSX:AC), and **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). The first play remains a speculative buy with an options-like risk/reward. By contrast, the latter play is a severely-undervalued deep-value investment with an extensive margin of safety.

## Cineplex

Cineplex is the riskiest stock on this list, but also the one with the greatest upside potential. With the pandemic's end in sight, Cineplex could easily more than triple from today's levels if all goes smoothly. That said, the company doesn't have the best balance sheet in the world, and the firm still faces profound headwinds, even as Cineplex is given the green light to fill its seats with bums.

The big question is, will people be rushing back to Cineplex locations once it's safe to do so? With the rise of video streamers, there's still little incentive to get off the couch. That said, many prior moviegoers are likely longing for that sense of normalcy. I'd imagine that many quarantined Canadians are also itching to go out in the company of friends to enjoy a night out at the local cinema.

With the possibility of a post-pandemic discretionary spending boom and pent-up demand for social activities, I'd argue that the stage could be set for an unprecedented recovery that could enrich investors who stood by it through these trying times.

With another few ugly quarters to get through, Cineplex remains a turbulent ride that won't be without its fair share of pain in the near-term.

## Air Canada

Air Canada is the COVID recovery stock that needs to introduction. Air travel has waned, and internationally-focused airlines like Air Canada face an uphill road to recovery. With normalcy just a year or so away, though, one must look past the pandemic to profound profitability prospects of Air Canada.

In 2022, we could witness an epic recovery in the firm that many feared would go under at the hands of the coronavirus.



Moreover, I also think Air Canada could enjoy sustained long-term multiple expansion if Air Canada rises out of this pandemic under its own footing. In five years from now, count me as unsurprised to see investors warm up to the cyclical airline after having recovered from what I believe is essentially the worst possible crisis that could have happened.

Given vaccine clarity, Air Canada remains ridiculously cheap. But shareholders should fasten their seat belts, as the stock is going to remain a turbulent ride.

## Restaurant Brands International

Restaurant Brands stock has been lagging its fast-food peers, many of which have already fully recovered from the February-March meltdown in the financial markets. Unfortunately, Restaurant Brands has been facing sluggish sales at Tim Hortons well before the coronavirus shuttered dining rooms across the nation.

Tim Hortons, Popeyes, and Burger King (all three Restaurant Brands) may not have the same tech capacity as the likes of **McDonald's**. But that's going to change, as the firm has committed to modernization efforts that should conclude in 2022.

In the meantime, Restaurant Brands has huge upside potential once the pandemic ends and is a great fast-food catch-up play for those who missed the bounce in McDonald's. The turnaround potential, valuation, and dividend (3.6% yield) are almost as mouth-watering as Burger King's whoppers.

**CATEGORY**

1. Coronavirus
2. Stocks for Beginners

**TICKERS GLOBAL**

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

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

**Category**

1. Coronavirus
2. Stocks for Beginners



**Date**
2025/08/25
**Date Created**
2020/12/07
**Author**
joefrenette