Buy These 3 Beaten-Down TSX Stocks for Big Gains in 2021

Description

In 2021, the COVID-19 vaccine will start rolling out nationwide. That means that a lot of beaten-down stocks are about to see their fortunes improve. Industries like energy, airlines and hotels saw their earnings decline because public health orders lowered their revenue. In 2021, we're going to start to see 2020's risk factors begin to fade. In this article, I'll be exploring three beaten-down stocks that could profit as the vaccine rollout moves forward next year.

Enbridge

Enbridge Inc (TSX:ENB)(NYSE:ENB) is an energy stock that got beaten down badly because of COVID-19. The pandemic initially reduced demand for gasoline, thanks to consumers sheltering at home. It also reduced demand for jet fuel, which continues to this day.

Enbridge lost money in the first quarter, thanks in part to the effects of the pandemic. Specifically, it ran a GAAP net loss of $1.4 billion. However, the loss was mostly due to non-cash factors like impairment and *unrealized* investment losses. Without those factors in the picture it earned $1.6 billion. The second and third quarters saw slight revenue declines, but healthy earnings. Enbridge recently hiked its dividend by 3%.

As the above shows, the damage ENB sustained from COVID-19 was not too serious. The first quarter loss was not a cash flow impacting event, so it didn't harm the company's ability to pay dividends. As far as distributable cash flow (DCF) goes, Enbridge is only down slightly for the year. It has a lot of room to improve as the oil & gas industry gets back to normal.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is the highest yielder of Canadian bank stocks, with a 5.3% yield. Part of the reason it has such a high yield is because its stock got beaten down badly this year. The bank's risk factors increased because of the COVID-19 pandemic, so it had to increase its Provisions for Credit Losses (PCL). When a bank does that, its earnings take a hit.

However, if the bank's risk factors fade later, it can lower its loan loss reserves. That causes earnings to spike.

In its most recent quarter, CIBC's earnings improved considerably. Adjusted earnings grew 3% from the previous quarter, and were down only 12% from a year before. The bank reduced its PCL by $111 million. All in all, it speaks to a bank that's already beginning to recover from the COVID-19 damage it took. Yet you can still buy the stock cheap, with a super high yield.

Suncor Energy

Suncor Energy Inc (TSX:SU)(NYSE:SU) is a Canadian energy company that sells gasoline directly to consumers at Petro Canada stations. Like many other energy companies, it got hit hard by the pandemic. It lost $3.5 billion in the first quarter (with an operating loss of $309 million) and $614 million in the second quarter (with an operating loss of $1.4 billion).

Net cash flow was positive in the first quarter but negative in the second. The third quarter saw a small $12 million net loss combined with a $302 million operating loss and $1.1 billion in positive funds from operations.

These results were pretty bad overall. But now, the company is perfectly positioned to bounce back. In normal years, with strong demand for gasoline, Suncor is a veritable fountain of profit. With the vaccine just about ready to come out, it should be able to resume business as usual. In that scenario, its stock has undeniable upside.

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1. Coronavirus
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3. NYSE:SU (Suncor Energy Inc.)
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andrewbutton