



Betting on a 2021 Recovery? Here Are 3 Top TSX Picks for the New Year!

Description

What a brutal 2020 it's been. With a new year, hope on the horizon, and an abundance of TSX value stocks that exist, now is as good a time as any to place a bet on some undervalued names that could emerge as the biggest winners of the new year.

This piece will go into three [top picks](#) that I think will put the **TSX Index** (and maybe the S&P 500) to absolute shame in 2021 (and beyond). Without further ado, consider shares of **Alimentation Couche-Tard** (TSX:ATD.B), **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)), and **Air Canada** ([TSX:AC](#)).

Couche-Tard

Starting off the list, we have convenience store kingpin Couche-Tard, which had done an incredible job of weathering the pandemic-plagued year. As a rare consumer staple (and defensive growth stock) on the TSX, Couche-Tard deserves a fat premium. Yet even after a resilient year, the stock seems to be stuck in the penalty box, mostly for reasons outside its control.

Yes, the appetite for defensive stocks has waned in recent months, as investors place their bets on reopening plays. While reopening stocks may be viewed as having the most upside as COVID-19 is conquered, I think hungry investors are neglecting the proven earnings growers that are now trading a bargain-basement multiples.

At just 14 times earnings, Couche is the most undervalued it's been in quite a while. With a plan to double profits in five years, Couche is very much a growth stock, even though management seems to have pulled the brakes on the frequency (and magnitude) of its acquisitions.

With a tonne of cash and credit, Couche has the liquidity to wheel and deal. Of late, opportunities have likely been few and far between in the c-store world. But, in due time, I think Couche will be back on the M&A track. And if it can sustain its recent margin enhancement, the stock could be headed for the stratosphere, as the name could correct upwards on a re-valuation that could see Couche stock trading at around 25-30 times earnings.

Restaurant Brands

Restaurant Brands is a fast-food juggernaut that's lagged its peers in the recent rebound out of those March depths. The firm behind Popeyes, Burger King, and the beloved Canadian icon Tim Hortons has faced a bumpy road to recovery thanks in part to relatively sub-par mobile, drive-thru, and delivery presence versus the likes of its peers. With modernization efforts underway, though, I think it'd be a mistake to count Restaurant Brands out of the game, just because it had underperformed in this pandemic-plagued year.

If anything, I see Restaurant Brands rising out of this crisis year in a position of profound strength. The company has incredible menu offerings (Popeyes's legendary chicken sandwich), and the competitive landscape will be that much quieter, as less-liquid restaurants stand to go belly up amid this crisis.

Once dining rooms reopen across the globe (for good), I have a feeling that QSR stock will vastly outperform its peers, many of whom are already above and beyond their all-time highs.

Air Canada

Finally, we have Air Canada, the riskiest play on the list. With COVID vaccines on their way, Air Canada is likely to climb out of this horrific year under its own power. Still, investors seem skeptical, as AC stock has been on the retreat after surrendering some ground gained during its epic November bounce.

While there are still very real risks to the airlines, most notably a mutated COVID-19 strains and a potential third wave in spring, I still think those with long-term time horizons have a lot to gain from AC stock by holding through the noise en route to the post-pandemic world.

I think air travel demand will be off the charts once it's safe to take to the skies again. Although most pundits expect a modest recovery for the industry, I certainly wouldn't be surprised to see the airlines return to 2019 levels by 2022 due to pent-up demand that may be discounted by investors.

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TICKERS GLOBAL

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

3. TSX:QSR (Restaurant Brands International Inc.)

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