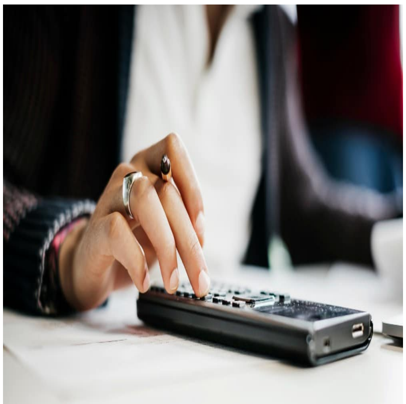

Ranking the Top 3 Canadian Recovery Stocks to Buy Now

Description

Over the last year, there's no question that some of the best Canadian stocks to buy have been recovery stocks.

For the most part, these were fairly straightforward investments. First, investors would find companies that have been impacted by the pandemic and trading undervalued as a result. Then, they would buy and hold the companies until they recovered to fair value.

For most companies that weren't impacted too badly, this worked. However, for other companies like, **Cineplex** for example, that have been impacted quite significantly, it's been a different story.

Today though, as Canada continues to reopen its economy, it's the last chance to buy high-quality Canadian recovery stocks while they trade cheap.

So here are the top three stocks to consider.

The most popular Canadian recovery stock

Coming in at number three on the list is a favourite among investors the last year, **Air Canada** (TSX:AC).

Air Canada hasn't been worth an investment for a while, and it was actually a stock I was warning investors to avoid. However, now that we have made some great progress on the vaccination front, it may finally be time that Air Canada can recover.

The stock comes in at number three, though, because it still has some significant risks. There are always the risks of more shutdowns, especially as the virus continues to mutate.

Furthermore, there is an inherent risk with uncertainty, which there still is much of, especially considering the potential for different travel restrictions in every country.

Not only is Air Canada risky, but it also doesn't have as much recovery potential as many investors might think, considering it's lost so much money over the last year and a half.

So while this now looks like the time to take a position in Air Canada, the risk to reward doesn't look as favourable as these next two stocks.

A top Canadian media stock

At number two is the high-quality Canadian cash cow **Corus Entertainment** (TSX:CJR.B). Corus is a media company owning T.V. and radio assets.

It's a business that's been in turnaround mode for years. And even though it weathered the pandemic well, Corus still has a considerable amount of value to recover.

In the past, the company had a high debt load that scared off many investors. However, the company has worked hard to improve its financial position and has managed to pay down over $350 million in debt or more than 20% of its debt load in the last two years.

Plus, it managed to do that while keeping the dividend flat and managing its operations through the pandemic.

So today, the company looks to be in a much better financial position, and even its operations look to be firing on all cylinders.

That's why, with the stock trading at a forward price to earnings ratio of just 6.9 times, it's one of the cheapest stocks in Canada and the second-best recovery stock to buy today.

The best Canadian recovery stock to buy now

Corus's 6.9 times forward price to earnings ratio is extremely cheap, so you know that the top stock on this list must have even more potential for recovery.

And that's exactly what **Boston Pizza Royalties** (TSX:BPF.UN) is offering investors. Boston Pizza is the top Canadian recovery stock to buy now, as it's on the verge of a rapid recovery.

For most businesses, even with an uptick in sales after the pandemic, higher costs could shrink margins and weigh on profitability for a while.

Because Boston Pizza is a royalty fund that collects its royalty on the top line (revenue) numbers of the restaurants across Canada, it only needs to see higher sales for its income to begin to rise.

And with Canada continuing to progress well and restaurants slowly opening back up again, the sales Boston Pizza restaurants are doing should increase drastically over the next few months.

So while the stock trades cheap and offers a dividend yield of more than 5.4% today, it's easily the best Canadian recovery stock to buy today.

And as its income increases rapidly while restaurants start to make more sales, I'd expect that in addition to rapid share price gains, the dividend should also rise rapidly, increasing the yield investors are earning on their investment.

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TICKERS GLOBAL

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2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
3. TSX:CJR.B (Corus Entertainment Inc.)

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Date
2025/08/26
Date Created
2021/07/14
Author
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