2 Canadian Stocks That Could Surprise Investors

Description

Upside surprises are delightful for investors, especially those with already muted expectations. Indeed, such surprises tend to occur after the release of better-than-expected quarterly earnings reports. Truly blowout earnings can cause a correction to the upside, which is essentially an upside pop that "corrects" Mr. Market's embarrassing mispricing of a severely undervalued security. Upside surprises can also happen in the form of strategic shifts that change the long-term fundamentals or a game-changing acquisition.

Smaller-scale strategic pivots and smaller, less frequent acquisitions may go less noticed at the time of their occurrence. But as they add up, they can make a big difference that could call for a considerable amount of multiple expansion.

In this piece, we'll have a look at two companies that have endured fundamental changes for the better over the last few years. They've either been shrugged off by investors or met with skepticism. Regardless, I believe both Canadian stocks are dirt cheap and are worth hanging onto for the long haul before they demonstrate they're worthy of an upside correction or multiple expansion as a result of improving fundamentals.

Unappreciated Canadian stocks that are poised to improve their long-term fundamentals

Consider **Spin Master** (TSX:TOY) and **Quebecor** (TSX:QBR.B), two underrated companies that could improve their growth profiles drastically over the next decade. Undoubtedly, both stocks are value plays, but given positive changes, I do think that, in time, their growth potential will be better appreciated by investors who've overlooked them.

Spin Master

Spin Master is a toymaker that's heading into a muted holiday season as a result of COVID-induced global supply chain issues. Indeed, many will not get the presents they want this Christmas. Spin Master is likely to have a fourth quarter that's quite muted than it would have been. Still, the Street already expects Spin's coming quarter to be dampened by ongoing COVID disruptions.

Indeed, almost every stock has been priced in a tough holiday season of shortages. With shares of TOY off over 16% from their 52-week highs, though, I think the pessimism is overblown such that the fourth quarter may actually surprise to the upside given the now lowered bar.

Spin can only do so much to counter supply chain woes faced by almost every firm today. Its digital games business, though, I think, could be key to strong growth as consumers look to spend more digitally for being unable to purchase the latest and greatest toy that may very well be tougher to get than hit toy Hatchimals a few holiday seasons ago.

Undoubtedly, the metaverse has become a major theme — and not just for big tech plays. Spin's incredible portfolio of brands and its magnificent digital games momentum leads me to believe that Spin will be getting in on the action. Don't discount digital growth, as it could be vital in taking Spin to new heights, even in the face of global challenges.

Quebecor

Quebecor is a fantastic telecom business that's stayed mostly within Quebec. With recent consolidation in the Canadian telecom scene and the untimely return of the Big Three triopoly, Quebecor has an opportunity to take the role of that number four disruptor at the national level. Indeed, rumours are swirling that the Quebec-based telecom could acquire Freedom Mobile and improve the value proposition for consumers.

In any case, Quebecor's expansion beyond Quebec could be very lucrative. It'll be expensive, but with the 5G boom, Quebecor could evolve into a force to be reckoned with, as non-Quebecois Canadians begin to learn of the firm and its abilities.

For now, the stock is stuck in limbo, consolidating since 2019. In due time, I think a breakout fuelled by new growth frontiers could make QBR.B a very intriguing long-term play.

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