Air Canada and 2 Other Top TSX Stock Picks for 2022

Description

With 2022 just a few days away, it's time to have a look at three stock picks that could give the broader TSX Index a good run for its money. Topping off the list is none other than beaten-down Canadian airline **Air Canada** (TSX:AC), which has been under considerable selling pressure through most of the year, with the latest round of selling triggered by the ongoing Omicron COVID outbreak.

Indeed, Air Canada stock is not for the faint of heart, but with the federal government standing in its corner with an investment in the low-$20 level, I think the odds of the stock crumbling into bankruptcy as next to none. That said, the pandemic remains as unpredictable as ever. Who would have thought COVID would still be plaguing the world two years after it was first discovered?

In any case, aggressive reopening plays like the airlines, while heavy in potential upside, should be bought gradually over time with a dollar-cost averaging (DCA) approach. While some pundits may look for 2022 or 2023 to hold the end of the pandemic, there's no way of knowing for sure, given the rate of mutation on the virus. As such, investors should continue nibbling away at Air Canada with the intention of holding for five, 10, or even 20 years at a time. The longer your horizon, the greater the odds are of experiencing massive upside once the pandemic ends and the real reopening upside has a chance to kick in.

It's not just Air Canada that investors should keep watch on in 2022. **MTY Food Group** (TSX:MTY) and **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) are two less-risky reopening stocks that could be ready to make up for lost time. Both restaurant plays are less dependent on a timely return to normalcy. Unlike Air Canada, their balance sheets are in better shape.

MTY Food Group

MTY is the king of the Canadian food court. Amid lockdowns, the stock crumbled like a paper bag. Since bottoming in early 2020, the stock has been on an epic recovery past its 2020 pre-pandemic high. Peaking at around $70 per share, the stock has since begun to reverse, no thanks to the rise of Omicron. Indeed, lockdowns don't bode well for MTY's coming quarter, given its reliance on shopping malls and other establishments that could face less foot traffic due to the risk of contracting the latest

COVID variant. Boxing Day was quite muted, at least at many brick-and-mortar locations.

With shares fresh off a 24% peak-to-trough drop, though, I think those bullish on a late-2022 economic reopening should look to be a buyer. The stock trades at just 18.2 times trailing earnings, with a modest 1.25% dividend yield.

Restaurant Brands

Restaurant Brands is a fast-food behemoth with four solid brands in Tim Hortons, Burger King, Popeyes Louisiana Kitchen, and, most recently, Firehouse Subs. Each brand has incredible potential. Unfortunately, lockdowns and falling traffic in the physical realm have weighed heavily on the brands — Tim Hortons, in particular, given its place in many Canadians' daily routines.

As more people work from home, those daily double-doubles and all the sort have been lost, and they're not coming back. That said, Restaurant Brands is taking steps to modernize its delivery and drive-thru capabilities. With a fresh mobile app, I think QSR has the means to recover, even if COVID doesn't go away anytime soon. For that reason, QSR is my favourite reopening play for 2022. Even if potential upside pales in comparison to the likes of an Air Canada, QSR looks to have minimal downside risks in the event that Omicron sparks another wave of shutdowns.

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