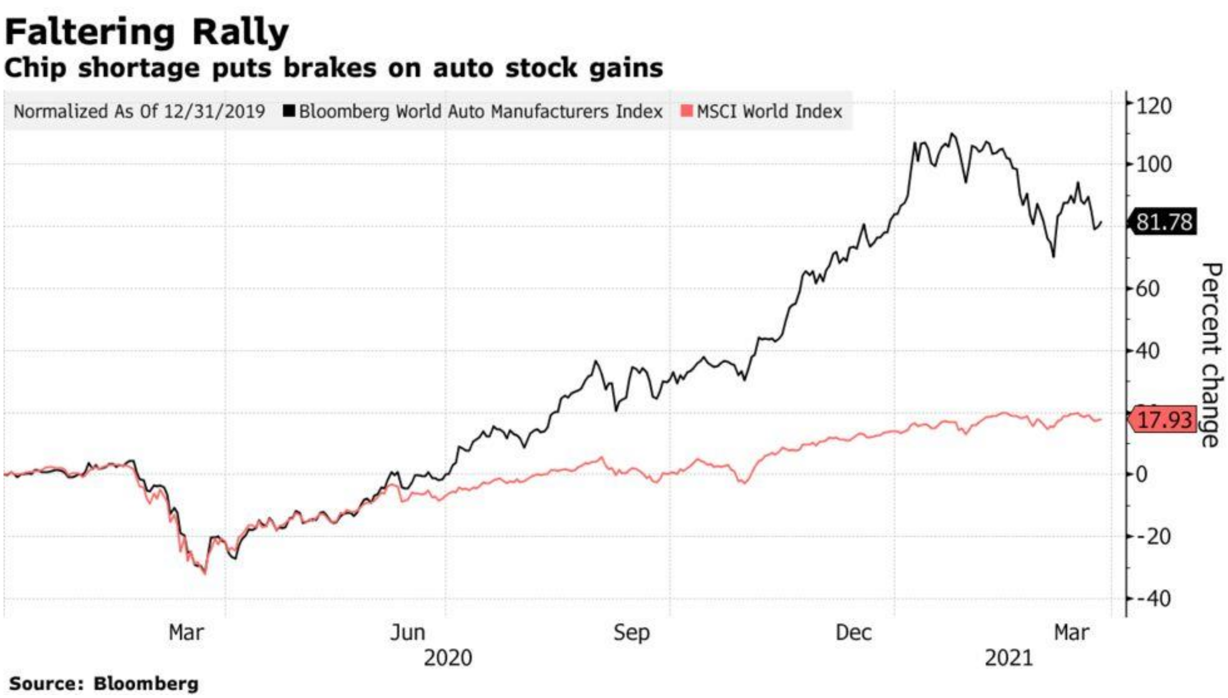
7 Top Picks for the Post-Pandemic Economy

The onset of the global coronavirus pandemic set the wheel of economic disaster in motion. Few sectors managed to make it through the fiscal year 2020 unscathed. With increasing regulations and government mandated restrictions, widespread stay-at-home orders and closures wrought havoc on businesses across the spectrum. With the world hurtling towards universal immunizations, many of the covid-19 related limitations are being relaxed and economic normalcy is on the horizon. For investors who capitalized on the widespread crashing of stock prices, this means massive profitability is also on the horizon.

The two primary reasons a stock might be faring well in the current economic environment are either that it has benefitted from new and accelerated trends that arose from the proliferation of the virus, or there are strong forecasts of the stock rallying significantly and rapidly as the economy heals. With businesses having been forced to adapt to a more challenging market, there was large scale streamlining and facilitating of cost efficiencies. These strategies will continue to be useful in the long-term post-pandemic economy.

Nio (NIO)

Nio has been at the mercy of the global semiconductor chip shortage for quite some time. In conjunction with seemingly unrelenting trade tensions between China and the U.S., the company has had much cause for concern in the first quarter of the fiscal year 2021. Dauntingly, these pressures are not forecasted to ease up until after the second quarter of the year, with NIO anticipating feeling the shortage particularly hard in the upcoming quarter.



What qualifies NIO for this list is the sector that the company operates in. While the electric vehicle sector has been largely affected by the semiconductor chip shortage as a whole, it also enjoys the benefit of being the new standard of transportation. Evidence to support this claim comes in the form of the company's record breaking delivery numbers in March of 2021.

With the company reporting steadily growing margins and the strong likelihood of U.S. government scaffolding, the EV sector is primed to explode. For these reasons many analysts give NIO a buy rating on just about any dip.

Etsy (ETSY)

Etsy was on a very promising trajectory even before the pandemic, as it connected retail craft makers with customers who were in the market for unique crafts. The company set itself apart with its move away from the cost-effective cookie cutter model of mass production that sacrificed uniqueness of products.

As the coronavirus resulted in increasing regulations and government mandated restrictions, brick and mortar stores were closed indefinitely. As people migrated their buying to online venues, e-commerce boomed. As an entirely online platform, ETSY got a massive boost along with the rest of the e-commerce sector during the ongoing global pandemic.

Management assumed a 5% share of a USD$100 billion niche market before the pandemic. Since, ETSY skyrocketed, exhibiting growth more than double that of its competitors in the overall e-commerce sector. This success, in conjunction with further development of their online platform and an expansion of their catalogue of items for sale, leads the company to believe a total addressable market valued in the trillions, rather than the billions.

Airbnb (ABNB)

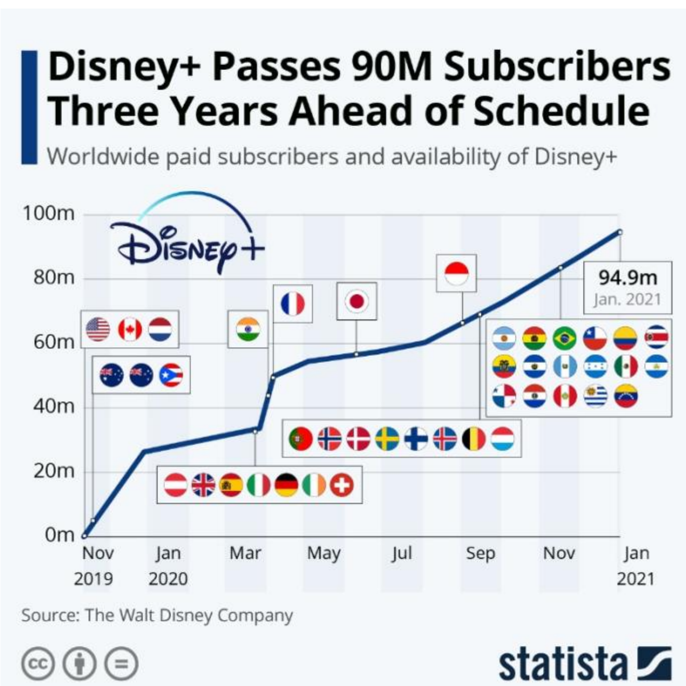
With the onset of the pandemic having spelled disaster for the travel sector, platform operators like ABNB found little reprieve. The company reported a 72% year-over-year reduction in bookings by April of the fiscal year 2020. Consequently, ABNB resorted to slashing a quarter of its staff and raising USD$2 billion in emergency funds.

In the fourth fiscal quarter of 2020, however, the company reported a year-over-year decrease in revenue of 22%, a significant improvement on the 72% reported in Q2 2020. ABNB also saw an improvement in adjusted EBITDA, with Q4 2020 reported a USD$21 million loss down from the USD$276 million loss reported in the year-ago quarter.

As the world hurtles towards the lifting of travel restrictions, companies like Airbnb are strategically positioning themselves to capitalize on the improved economic context they will find themselves in after the pandemic. To illustrate its growth potential, ABNB reported a 2020 gross booking value of USD$23.5 billion, which represents less than 1% of its tremendous addressable market that is valued at USD$3.4 trillion.

Walt Disney (DIS)

DIS saw the pandemic destroy the performance potential of its theme parks and theaters because of the pandemic limitations and forced closures. As people travelled less and had less recreational options, the online entertainment sector skyrocketed. The company since diverted its resources towards the increasingly lucrative Disney+ streaming service.



Disney reported having a global paid subscriber base for Disney+ that exceeded 86.8 million users, far surpassing expectations on Wall Street. With the company having bumped its monthly fee up to USD$7.99 from USD$6.99 as of March 2021, the company can expect to see an increase in revenue from subscriptions in their next reports. DIS forecasts reaching up to 260 million paid subscribers of their Disney+ service by the end of the fiscal year 2024.

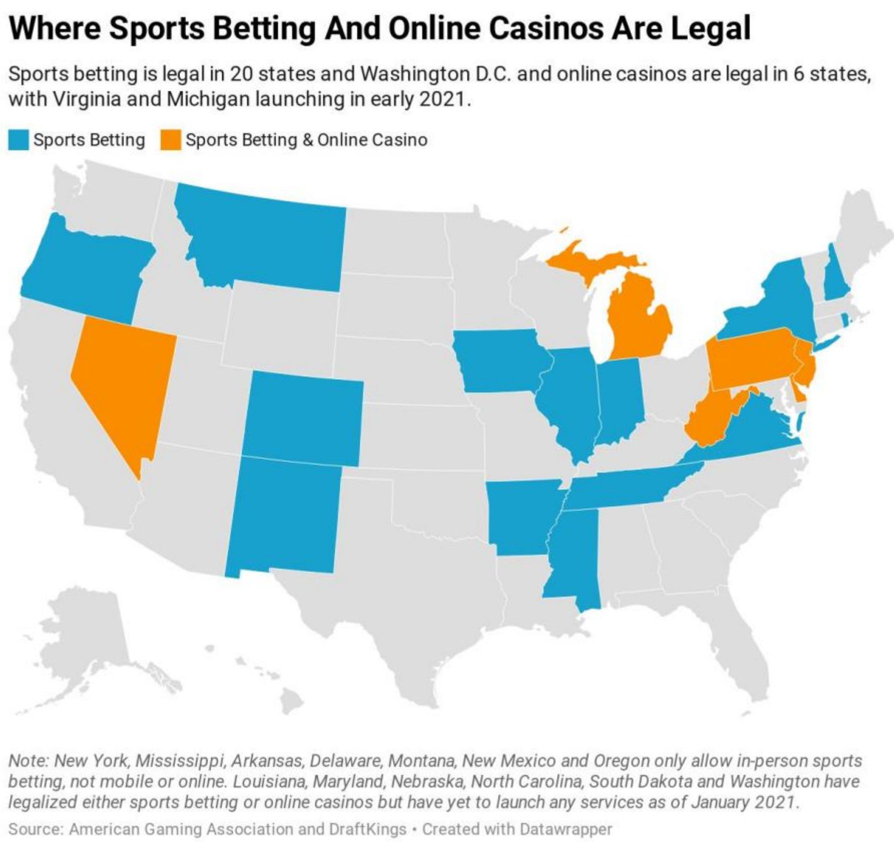
Further consolidating this fresh momentum, the dissipation of the limitations imposed as a result of the coronavirus pandemic will result in further growth for DIS. As people flock back to theme parks and movie theaters, the company anticipates unprecedented demand.

DraftKings (DKNG)

With people stuck at home because of the pandemic, with severely restricted options for recreation and entertainment, the online sports entertainment sector boomed. Stock price for DKNG was up by a tremendous 55% year-to-date and shows promise for sustained growth. Rather than shaking confidence the current downtrend in DKNG stock price should be seen as an opportunity to buy the dip.

This is evidenced by reports of Goldman Sachs expecting the online sports betting sector in the U.S. to rise by a CAGR of 40% from its current USD$900 million to USD$39 billion by the fiscal year 2033. Internet gambling in general, meanwhile, is forecasted to increase by a CAGR of 27% to USD$14 billion. Goldman Sachs analysts have since booted the target price for DKNG from USD$79 a share to USD$87 a share as of March 22nd 2021.

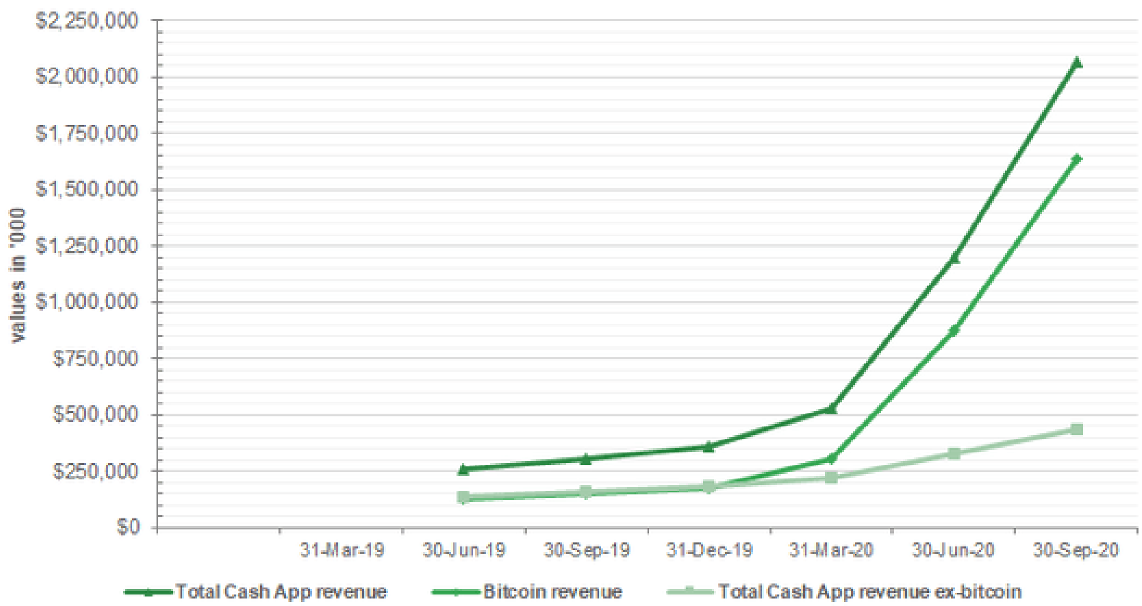
A major factor in the expansion of the online gambling sector is the passing of legislature that legalizes mobile sports betting. New York included the provision of the legalization of online sports betting in the disclosure of its budget at the start of April 2021. With the proliferation of the legalization of online sports betting, DKNG is ready for an explosive expansion of their growth potential.



Square (SQ)

Square saw its fair share of trouble with the onset of the global pandemic, with the closing of brick-and-mortar locations disrupting the company's operations. The second quarter of the fiscal year 2020 saw the company report a year-over-year reduction in seller ecosystem revenue of 17%, while physical payments plummeted by 38% from the same quarter over the prior year.

With the economy slowly and intermittently opening up, as well as the migration of many merchants to e-commerce platforms, SQ found its footing to capitalize on the opportunity presented to it. Seller revenue displayed a near-miraculous recovery, with reports in the second half of the fiscal year 2020 indicating a 2% growth in seller revenue for the full year.



With contactless payment having received a massive boost during the pandemic, the company's proprietary Cash App reported monthly active users amounting to 36 million, a 50% jump since previous reports. As a result of the expanded user base as well as the increased frequency of use owing to contactless interactions during the pandemic, SQ revenue skyrocketed.

The fiscal year 2020 saw SQ report USD$6 billion in Cash App revenue, a staggering increase of 440%. This translated into an overall total revenue increase of 17% for the year 2020. As the company continues to develop its flagship Cash App and physical stores start to reopen, SQ looks forward to massive opportunities for growth.

The Boeing Company (BA)

The multinational developer and marketer of airplanes, rotorcrafts, rockets, satellites, telecom equipment, and missiles also provides product leases and support services. The company took a significant hit in 2019 when two Boeing-manufactured aircrafts crashed in two separate incidents. In the same year, the grounding of the Boeing 737 MAX also proved to be devastating for the company. Things came to a head with the onset of the global pandemic and the increasing restrictions on air travel.

Despite the 737 MAX still being grounded in China, it has been given the green light to operate in other countries, including the U.S. The company also reported the first positive ratio of new plane order versus cancellation in February since November 2019. April 18th 2021 saw the placement of an order for 15 MAX aircrafts by a Dubai based leasing firm, signaling strategic positioning of parties hoping to benefit from the lucrative recovery of the air travel sector.

Future Outlook for Stock Picks

With the increasingly accelerating efforts directed toward universal immunization, the end of the economy-crippling pandemic seems to be in sight. As vaccine types and production rates skyrocket as a result of continued research and recent changes to patenting regulations, more and more investors are strategically allocating investments into companies that are primed to capitalize on improving economic conditions.

While confidence in substantial returns is high, there is significant uncertainty as to the timeframe. This is due to the nature of the myriad of factors at play, such as the provision of government stimulus bills and logistics of vaccine distribution. Nevertheless, these curated stock picks are expected to continue to weather the pandemic storm and come out of it stronger than ever.

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