Forget Air Canada (TSX:AC): Here Are 3 Stocks I'd Buy Instead

Description

Last week, I asked whether **Air Canada** (TSX:AC) was a stock to avoid or buy on the dip. Shares of Canada's top airliner have dropped 12% month over month as of close on May 27. Air Canada has a great shot to rebound in the long term, but there are good reasons to look elsewhere for growth right now.

Let's explore why and then jump into some equities I'm bullish on today.

Why Air Canada and its industry will take years to recover

In this instance, we only need to heed statements from Air Canada itself. The company released its first-quarter 2020 results on May 4. Air Canada was forced to take radical measures in response to the pandemic. It has reduced its second quarter 2020 capacity by 85-90% and Q3 capacity is expected to be reduced by 75%.

The company reported a Q2 2020 net loss of $1.05 billion or $4.00 per diluted share compared to net income of $345 million or $1.26 per diluted share in the prior year.

CEO Calin Rovinescu said that Air Canada was "now moving through the darkest period ever in the history of commercial aviation." The company sees the impact of the pandemic lasting three years, which will result in a degraded industry in the near term.

The airline industry took roughly half a decade to recover from the September 11, 2001 attacks. Air Canada is equipped to weather this storm, but investors will need to strap in for a long and arduous trip. There are better options on the **TSX** right now.

3 stocks to target instead

Instead of Air Canada, below are three stocks that offer a better chance at near-term growth.Moreover, these equities also look good in the long-term and pay out dividends.

This past week I'd discussed why **Scotiabank** stock jumped after a porous second quarter earnings report. **Toronto-Dominion Bank** stock climbed 4.83% on May 27, the day before the release of its own Q2 2020 report.

Canada's top banks have taken a hit as billions have been set aside for bad loans. TD Bank, like its peers, still possesses a flawless balance sheet and is incredibly well diversified. It last paid out a quarterly dividend of $0.79 per share, representing a strong 5% yield.

Park Lawn is a stock I'm very bullish on in the long term. Shares have dropped 22% in 2020 as of close on May 27. The company provides death care products and services in North America. Morbid though it is, demographics are set to drive demand for these services in the years and decades to come.

Park Lawn possesses an excellent balance sheet, positioning itself as a leader in its industry. These are just some of the reasons I'm picking it over Air Canada today.

The company released its first-quarter 2020 results on May 12. It achieved impressive revenue growth of 47.5%. Meanwhile, adjusted EBITDA climbed 23.3% year-over-year to $17 million. The company announced a monthly dividend of $0.038 per share, representing a modest 2% yield.

Housing activity has plummeted due to the pandemic, but I'm betting on its resilience in the early part of this decade. **Genworth MI Canada** is a top private residential mortgage insurer in Canada. Its shares have dropped 31% in 2020 at the time of this writing.

The stock last had a very favourable price-to-earnings ratio of 6.8 and a price-to-book value of 0.8. Genworth announced a quarterly dividend of $0.54 per share on May 5, which represents a tasty 6.5% yield.

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Date
2025/08/25
Date Created
2020/05/31
Author
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