1 Top Stock I'd Buy Over Air Canada (TSX:AC) Any Day!

Description

2020 has been a rough year for **Air Canada** (TSX:AC) stockholders. Well, that is, if you were a stock owner before and during February/March. Considering how cheap the stock has become, many investors still see Air Canada as an attractive stock to trade or buy for the long-term upside.

Air Canada is cheap, but is it a buy?

While the stock is down and it looks attractive, investors need to be wary. Air Canada just reported another massive loss of *$1.75 billion* or ($6.44) per share in its recent second quarter. Although Air Canada prudently bolstered its balance sheet over the past few months (over $5.5 billion of new debt and equity), it continues to heavily burn about $15 million of cash every day. While this is better than the previous quarter, I have never found investing in companies that are consistently losing money to be accretive investments.

Air Canada has little control over the success or failure of its stock

Most of Air Canada's stock success or failure relies on factors that are completely out of its control. Air Canada's CEO has been desperately pleading the Canadian government to relax travel and quarantine restrictions. Unfortunately, he can operate the company perfectly and still not change the government's mind or the many pandemic challenges (low domestic volumes, rising COVID cases, etc.).

So, for me, this stock is just one to be avoided until these external factors are worked out. Rather, I recommend that investors own stocks where management can control the operational destiny. Own businesses that are succeeding now, despite the pandemic.

Buy Goodfood stock instead of Air Canada

If you have an eye for a smaller stock with long-term upside, then you may want to consider **Goodfood Market** (TSX:FOOD). Unlike Air Canada, this stock has seen a major boost from the pandemic. In fact, year to date, Goodfood stock is up over 130%!

Goodfood is a leading distributor of meal kits and online groceries in Canada. As the pandemic forced the closure of most restaurants, many Canadians turned to Goodfood to replace their weekly "night out." Consequently, its active subscribers increased over 44% from last year. Run-rate gross sales just surpassed $400 million, and the company actually cut a nice profit in the last quarter (its first).

This stock has many levers for long-term growth

Despite strong stock momentum, I still really like Goodfood for a few reasons. First, it has been investing heavily in its national distribution and supply chain. As a result, it has economies-of-scale to further grow its Canadian customer base.

Second, Goodfood is a great play on e-commerce growth in groceries. The company continues to grow its private label grocery list. It is steadily becoming a relevant grocery company, even in terms of cost and quality.

Lastly, it is a very innovative company with lots of growth ahead. It has approximately $115 million in cash (after a recent $35 million equity offering). This means it has the dry powder to invest in new distribution facilities and efficiencies, innovate new products, and expand its service and product offerings.

It is primed to command a dominant place in e-commerce groceries in Canada and perhaps beyond. If it continues to demonstrate consistent profitability, this stock could get a major valuation re-rating or perhaps even get taken out by a larger player like **Walmart**, **Amazon**, or **Loblaw**.

The Foolish bottom line

It may years for Air Canada stock to ever recover to pre-COVID levels. Why wait when you can own a disruptive, innovative stock like Goodfood? Buy what's thriving, and I bet you'll be happy you did.

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Date
2025/08/25
Date Created
2020/08/20
Author
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