



1 TSX Tech Stock I'm Buying Before Air Canada (TSX:AC)

Description

The Canadian stock market has had an impressive recovery over the previous five months. After hitting the low of the year in the last week of March, the **S&P/TSX Composite Index** has soared an incredible 47%. The v-shaped recovery has brought the market back up to roughly the same place that it began the year.

The COVID-19 pandemic is largely to blame for the dramatic volatility investors have experienced over the past six months. Countries across the globe witnessed the virus wreak havoc on their economies. As unemployment numbers skyrocketed, many governments were forced to step in and provide temporary financial support to its citizens.

Technology stocks are soaring

The market may be trading flat on the year, but performance across various industries has varied significantly. Many consumers across the globe were forced to spend more time than ever in their homes once the pandemic first hit, increasing the dependence on technology not only for consumers, but businesses as well.

Not surprisingly, the travel industry has fared worse than technology stocks this year. The pandemic abruptly put many travel plans on hold indefinitely, resulting in severe drops in revenue for many travel-related companies, [including airline stocks](#).

Why I'm bearish on Air Canada stock

Air Canada stock has garnered a lot of attention since the COVID-19 virus began spreading across the globe. The \$4.5 billion airline has seen its stock price drop almost 70% since the start of the year, and there is little to be optimistic about in the short term.

Investing legend Warren Buffett [sold off a large chunk of airline stocks](#) earlier this year. The unexpected move from a buy-and-hold investor has led many other investors to question the economics of the airline industry not only in the short term, but the long term as well.

Valuation for Air Canada stock may be attractive today, but I see this as a value trap and not a value play. The opportunity cost for investing in Canada's largest airline is too high for me right now, as there will likely be a long turnaround for the entire airline industry.

It may be possible that Air Canada stock has neared a bottom, but I just don't believe the company will be seeing market-beating returns for many years. As a result, I've covered a Canadian tech stock that went public less than two years ago with a long runway of opportunities to outperform the broader Canadian market for many years.

Lightspeed stock

What was once known primarily as a point-of-sale hardware provider, **Lightspeed** ([TSX:LSPD](#)) has since [developed its product offering](#) into an omni-channel cloud-based platform for both brick-and-mortar retailers and e-commerce customers.

Even with many of Lightspeed's brick-and-mortar customers being forced to temporarily close its doors during the pandemic, the tech company has held up well. In [Lightspeed's most recent quarterly report](#), management announced that it managed to keep quarterly revenue flat at roughly 36 million. Revenue growth was flat when comparing to the previous quarter, but saw an increase of 50% from the same quarter in the previous year.

There's no question that this is an expensive stock at today's price. The \$3.5 billion company trades at a very frothy price-to-sales ratio of 19, which means investors are banking on the fact that Lightspeed will return to 50%+ growth rates sooner rather than later.

Foolish bottom line

I don't mean to pick on Air Canada specifically. I'm bearish on many companies within the travel industry. The reason why I'm highlighting my skepticism toward the growth potential of Air Canada stock is that I'm not only bearish over the short-term but the long-term as well.

The COVID-19 pandemic has created massive opportunities for many tech stocks, including Lightspeed. There's a good chance that the stock will continue to see high levels of volatility at this valuation, but long-term shareholders have a great opportunity to outperform the market for many years.

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Date

2025/07/30

Date Created

2020/08/25

Author

ndobroruka

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