



Better Buy: Lightspeed (TSX:LSPD) Stock or Air Canada (TSX:AC) Stock?

Description

There are plenty of opportunities out there for investors right now. But with economists predicting further market crashes, investors need to be careful. In fact, while there was an initial burst in investing activity in May and June, economist researchers are now noticing a huge slowdown. How slow? The **S&P/TSX** moved 85.6 points between May and June, but by July 31 that slowed right down to only *three*. By comparison, pre-COVID levels were at about 100 percentage points.

Another way to look at whether a crash is coming is to look at the “Buffett Indicator.” This indicator takes the Wilshire 5000 index and divides it by the federal GDP of the U.S. In the past few weeks, that ratio has equaled about 1.7. With a normal ratio at one, and an overvalued ratio at 1.3, that leaves a 1.7 coming in at an incredibly overvalued market.

So, now is the time to start making your watch list. There are plenty of popular stocks to consider, but investors need to be smart. Think about the stocks that will do the best over the long term, not just now. You might be able to snag a serious deal. Between some of the two most popular stocks out there, which is the better deal: **Lightspeed POS** ([TSX:LSPD](#)) or **Air Canada** ([TSX:AC](#))?

The case for Lightspeed

Lightspeed is a point-of-sale system tailored towards small- and medium-sized businesses, mainly in the retail and restaurant sectors. The stock saw an incredible drop of about 70% during the crash in March compared to the Composite, which dropped around 40%. The fear was the pandemic. Restaurants and brick-and-mortar locations closed up, and this should have seen a decline in Lightspeed’s business.

But it didn’t. Instead, the company has grown customer locations by 77,000 as of the last [quarter](#). Revenue was up 51%, with recurring revenue up 57%. The company even came out with a financial outlook for the next quarter of between \$38 and \$40 million. That’s a year-over-year increase of 65%!

But can this last? While the company has been able to bring on new business, it might be the case that things start to slow once new customers come online. With the pandemic still raging, the company will

have to come up with even more angles to bring in business. But as of today, it's definitely got a lot of room to grow and keep revenue at record-setting levels.

The case for Air Canada

Canada's largest airline company hasn't been at these prices since the huge drop more than a decade ago. Shares at that time were under \$1. It's no wonder investors are wondering either if share prices could reach those lows again or if this is the time to buy ahead of another surge.

On the one hand, Air Canada has had immense losses. As of the latest quarter, revenue fell by 89%, travel fell by 96%, and operating losses hit \$1.555 billion. Even with travel restrictions becoming more relaxed, there are two problems. First, the company can't expect to cover its losses with the few flights it has. Also, restrictions could ramp up again with another wave.

On the other hand, if you're looking to hold this stock, it could bring in serious cash over the next decade or so. It really is similar to the fall a decade ago. The company had to completely revamp its business and has since reinvested in its fleet. While this has created debt, it's debt that will eventually come down, perhaps with the help of the government. When the debt is gone, Air Canada has the [best chance](#) of coming out swinging, with fuel-efficient airplanes and costs already cut. Investors could see a surge in the share price in the next few years.

Bottom line

You'll notice I own both of these stocks, and I'm not looking to sell either right now. I'm fine with holding onto both through thick and thin of the next few years, as it's going to be a tough few years no matter where you look. But during the next crash, I might consider Lightspeed first. That's because it's likely the company could double or even triple *during* the pandemic, rather than after. Once Air Canada shows life again, or if it drops down to \$1 once more, then I'll certainly consider this stock again.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Investing
3. Tech Stocks

Date

2025/09/08

Date Created

2020/08/30

Author

alegatewolfe

default watermark

default watermark