Can Air Canada (TSX:AC) Stock Triple in 2021?

Description

Since the coronavirus pandemic hit the world earlier this year, there have been many moving pieces. Some companies that were largely impacted at the start of the pandemic have found ways to work around the restrictions.

Others can't do that. Whether it's due to the nature of their businesses, based on public opinion or confidence, or of course, because of regulations and laws, some companies are inevitably struggling more than others.

Air Canada (TSX:AC) is one of those stocks. Since the start of the pandemic, Air Canada has been one of the most talked-about stocks on the **TSX**.

This is unsurprising for a few reasons. First, when any top **TSX** stock falls as much as Air Canada did, there will always be savvy investors waiting to see if there's value at the depressed trading prices.

Air Canada and airlines, in general, have also been much discussed, especially after Warren Buffett exited all his U.S airline stocks early on in the pandemic.

Airlines and the fate of Air Canada

Although Air Canada has been a solid stock for the last few years, the global pandemic has had an extremely significant impact on business.

Despite a slight recovery from the lows of March, the stock still trades down more than 70% from its pre-pandemic high.

As we progress through the pandemic and get closer to a vaccine, investors may be wondering when Air Canada's stock will break out, and how much potential it has.

Much of that will involve the duration of the impacts on Air Canada and how badly it affects the company's financials.

Air Canada has already had to raise a tonne of cash. Plus, each time it has to borrow more money or issue more shares, it will become harder for the stock to reach its pre-pandemic high.

The company's revenue was initially down 90% from 2019 levels, so there will be a long way to go for the stock to recover.

Against the background of this uncertainty, all you can do is take a wait and see approach until there is some real progress within the industry.

Cheap TSX stock to buy instead of Air Canada

Rather than Air Canada, a TSX stock that is still down 50% from its 2020 high is **Corus Entertainment Inc** (TSX:CJR.B). Although Corus is extremely cheap, it was never as badly impacted as Air Canada and is recovering much more quickly.

Corus is a super cheap entertainment stock. The company's main business is TV, getting about 65% of its revenue from advertising and another roughly 30% of its revenue from subscriptions to its specialty channels.

While T.V viewership actually increased during the start of the pandemic, many advertisers had paused their marketing campaigns during the initial uncertainty to assess the impacts of the pandemic on their business.

Now that we have gotten most of it under control and companies have had time to cope with and operate in this new environment, advertising campaigns are coming back strong. This should help Corus return to the high-value stock it was back in January.

Plus, despite the initial impact on its business, one of the main takeaways from Corus' performance so far in the pandemic is its ability to keep the dividend steady.

Heading into the pandemic, the stock was already extremely cheap, trading below a 5.0 times price to earnings ratio. Plus, its cash flow numbers have been extremely impressive lately. And with the work it's done to reduce its debt load the last few years, its 7.6% dividend looks to be safe for some time.

Bottom line

A stock like Air Canada will have a tonne of potential when it's closer to a full recovery. For now, though, without much momentum or any catalysts, there isn't much upside in an investment.

Instead, stick to other high-value stocks like Corus, which have considerably more potential in the near term.

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