



Forget Air Canada: Buy WestJet Airlines' Parent for a Big 2021 Recovery

Description

Air Canada ([TSX:AC](#)) has arguably been the go-to stock to play a recovery from this [horrific COVID-19 pandemic](#). While the Canadian airline is nowhere near as risky as it was before **Pfizer** announced its vaccine breakthrough in November, I see better risk/reward plays out there for those looking for gains in the new year.

While I'm still relatively bullish on Air Canada stock after its recent run, I'd much prefer waiting for a retracement to more reasonable levels. The company has another brutal quarter or two on tap before we can get to the massive recovery results. Given this, investors should demand a better margin of safety, which, I believe, is likely, given we're way overdue for a broader market correction that could be led by the biggest recovery winners of November.

If you're keen on betting on an airline stock today to punch your ticket to the post-pandemic world, there are better options out there. And I'm not talking about the U.S. air travel stocks, many of which seem a tad pricier than that of Air Canada. Moreover, as a more internationally focused airline, Air Canada could face a more muted recovery trajectory versus the likes of the airlines with a greater domestic focus.

Enter ONEX: WestJet's parent

Consider **ONEX** ([TSX:ONEX](#)), the parent company behind Canada's second-largest airline, WestJet, which, unfortunately for the managers at ONEX, was scooped up before the pandemic. Regardless, Onex stock has already been dealt a double-major in the penalty box for reasons that were largely out of its control.

The company took a massive hit to the chin, not just because it owns WestJet, but because many other firms under the ONEX umbrella have also had a rough time dealing with COVID-19 disruptions.

In past pieces, I urged investors to forgive ONEX for its mix of firms that stood to be most affected by the pandemic. The company has a long track record of outperforming the **TSX Index**, and in a post-pandemic world, ONEX will continue putting the TSX to shame.

Today, investors can scoop up shares of ONEX for a near 30% discount to its book value. While the stage has already been set for a recovery, the stock has far more room to run as it looks to breakout past its pre-pandemic highs. ONEX is a lesser-known investment manager that can allow investors to gain a front-row seat to a 2021 economic recovery on the cheap.

Moreover, it helps that WestJet has a deep-pocketed firm like ONEX standing its corner. If things drastically worsen before vaccines have a chance to be administered, WestJet, I believe, is more likely to emerge from this crisis under its own footing.

A much safer way to play the recovery in air travel

Fellow Fool Daniel Da Costa is also bullish on ONEX, noting that it's a much safer investment than the likes of Air Canada, given its diversified portfolio of wonderful businesses, which includes the likes of Celestica, among other firms that have room to run once this pandemic subsides. It's not just ONEX's diversified portfolio that has me pounding the table; it's the stock's absurdly-discounted valuation.

I think Daniel is [right on the money](#) and would encourage investors to look to ONEX if they seek a better risk/reward trade-off versus Air Canada to play the 2021 recovery from the COVID-19 crisis.

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2. TSX:ONEX (Onex Corporation)

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