



Forget Air Canada (TSX:AC): Time to Load Up on This TSX Value Stock!

Description

Air Canada ([TSX:AC](#)) stock has recovered to some extent from the doldrums of the March 2020 market crash. Yet the stock still trades at less than half the price it did at the start of 2020. Regardless, I would not argue that the stock is a good value right now. Like most airlines across the world, it continues to face serious challenges presented by the COVID-19 pandemic.

Air Canada stock is not cheap enough for me to buy

Firstly, the Canadian government continues to enforce stricter international travel rules. It is prohibitively inconvenient for most people to want to fly out of the country (and return) right now. Secondly, while the virus continues to spread, many Canadians are just unwilling to fly (even in Canada) on a tightly packed plane.

Thirdly, Air Canada continues to discontinue service routes and reduce its workforce. It just doesn't have the travel volumes to keep up routes that would normally be fully booked.

Lastly, Canada's deployment of the COVID-19 vaccine appears to be slower than anticipated. This means a return to normal travel activity is likely pushed out even further than most investors anticipate.

Given all of these factors, Air Canada stock just does not seem like a viable investment yet. The pandemic will continue to have longstanding impacts on its volumes, operations, and balance sheet for longer than many investors can admit. Considering this, the stock is still not cheap enough for me to buy.

This stock is cheap, and it's also a great business today

Given this, I would much rather own [value stocks](#) that have reasonable and tangible opportunities in the short term to unlock investor value. Where Air Canada stock is not cheap enough, **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) stock could be a lot more expensive, and I would still be buying.

Despite being one of the largest asset managers in the world, this TSX stock still trades at a massive discount. In fact, it is 40-50% cheaper than the market is giving it — that is, if you go by CEO Bruce Platt's estimate of intrinsic value per share.

A great quarter, but a great bargain as well

Brookfield just came off one of its best quarters on record, and the market gave it a little 3.5% pat on the back. I suppose the discount is largely due to the market's concern over Brookfield's internalization of its struggling real estate arm, **Brookfield Property Partners**.

Historically, that entity has made up nearly 28% of its cash flows. In 2020, it only made up 17%, largely due to challenges created by the pandemic. Unlike Air Canada, BAM stock is receiving an unfair COVID-19 discount due to these properties.

Yet BAM takes a long view on those assets. In many instances, they are iconic properties that will still garner strong demand, despite some of the recent structural changes to real estate.

BAM is patient. It can afford to privatize those assets, improve the business platform, de-leverage, sell-off non-core assets, and then internalize the cash flows into other growth areas. I think its long view on these assets will pay off; it just takes time that market is overlooking.

Regardless of the real estate portfolio, the company still had amazing results. Over 2020, BAM still improved fund from operations (FFO) by 23% to \$5.18 billion. FFO per share increased 20% to \$3.27/share. For the fourth quarter, FFO per share increased a whopping 78%! The real estate challenges have paled in comparison to the strong FFO growth BAM is seeing in renewables, asset management, [infrastructure](#), and private equity.

Forget Air Canada stock and buy this cheap, high-quality business today

Unlike Air Canada, BAM's business is going full steam ahead. Yet somehow there is disconnect between the operational/intrinsic value and the stock price. To me, it's a perfect opportunity to back up the truck, load up on the stock, and then reap the rewards over a lifetime. If you are patient, you will get to enjoy Brookfield accrete dividends, spin-outs, and strong, stable cash flow growth for many, many years to come!

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2. TSX:AC (Air Canada)
3. TSX:BN (Brookfield)

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