Forget Air Canada: 5 Canadian Stocks to Buy Instead

Description

Air Canada (TSX:AC) has been one of the most popular stocks in Canada since the pandemic began. Savvy long-term investors continue to see the major discount in share prices and recognize there could be an opportunity for recovery.

The stock faces a tonne of headwinds, though. So, with the current risk investors have to take on buying the stock, it's actually reasonably priced. Currently, most analysts have an average target price of around $27 or $28. This gives Air Canada roughly 15% upside potential to its target price.

A 15% return isn't horrible, but several Canadian stocks are far more attractive today. And when you consider just how much risk you have to take on for such a small potential return, it's much better to pass on Air Canada.

Here are just five Canadian stocks offering investors far more potential than Air Canada today.

Parkland Fuel offers major recovery potential

Parkland Fuel (TSX:PKI) primarily refines, distributes, and markets fuel and other petroleum products across Canada and the United States.

With fuel demand impacted so severely by the pandemic, Parkland has seen a considerable impact on its business. Better margins have somewhat offset the decline in volumes.

Regardless, these are only short-term impacts. The stock, though, is still roughly 20% off its 52-week high. That's an attractive discount for a quality long-term growth stock. And when you consider its monthly dividend yields 3.2% too, the stock is a much better option than Air Canada.

First Capital is considerably cheaper than Air Canada stock

First Capital REIT (TSX:FCR.UN) is one of the best real estate investments you can make. It's a mixed-use REIT with retail, office, and residential assets. Unfortunately, the trust was impacted by the coronavirus pandemic, mostly with its retail locations.

However, this impact will only be short term, as First Capital assets are located in some prime locations. So, today's heavily discounted stock price is extremely attractive.

First Capital is currently trading more than 30% below its 52-week high. That's roughly double the return that Air Canada investors can expect from the stock today and with considerably less risk.

Freehold Royalties is a top buy today

Freehold Royalties (TSX:FRU) is one of the best dividend stocks you can find in the energy industry. On top of Freehold being a safer energy stock that's great for dividend investors, it also offers significant capital gains potential as the entire energy industry recovers.

At current prices, the stock is roughly 15% off the average analyst target price. So, with the 3.5% dividend, investors can expect at least a nearly 20% return over the next year. I say "at least," because as the situation with the economy gets better and energy continues to rebound, analysts will undoubtedly upgrade the stock.

Since November, the target price has already increased by more than 25% and should continue to grow as Freehold's outlook improves. Therefore, with Air Canada offering a roughly 15% return and significantly more risk, Freehold is a much better stock to buy today.

CAE offers more potential than Air Canada stock

CAE (TSX:CAE)(NYSE:CAE) is the stock most similar to Air Canada on this list. While it's not an airliner, CAE is a simulation company whose biggest segment is the airline industry.

By providing simulation technologies to the defence, healthcare, and aviation industries, CAE has been a rapid growth stock. The impact on the airline industry has undoubtedly had an impact on CAE.

However, these impacts are short term, and CAE is losing nowhere near the amount of cash Air Canada is losing.

With more long-term growth potential and a similar discount to the consensus analyst target price, CAE is clearly a better stock to buy than Air Canada today.

Corus Entertainment is extremely cheap

Lastly, **Corus Entertainment** (TSX:CJR.B) is a stock I've mentioned in the past for its incredible value. The company has been rallying consistently. However, it's still well undervalued.

At current prices, the stock has a forward price-to-earnings ratio of just 7.1 times.

In my opinion, analysts are being cautious on the stock with their target prices. Yet the stock still offers investors a 20% return to the target. So, when you combine that with the ultra-safe 4.6% dividend, Corus is a much better option than Air Canada today.

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Date
2025/06/28
Date Created
2021/02/22
Author
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