Forget Air Canada (TSX:AC): Better Value Plays on the TSX

Description

Air Canada (TSX:AC) was a tempting buy when it lost close to 75% of its value early in March 2020. Shares tanked as the COVID-19 pandemic wreaked havoc on the Canadian economy early last year.

Since April 2020, shares have managed to rebound with gains of 60%. Still, Air Canada stock is trading more than 50% below all-time highs that were set right before the COVID-19 pandemic hit.

You could certainly make the case that air travel will continue to exist in a post-COVID-19 economy. It may take a few years of recovery, but Air Canada could at some point return to pre-COVID-19 revenue levels. If you have time on your side and believe in the travel industry, picking up shares of Air Canada at these prices could be a lucrative long-term value play.

Why I'm bearish on Air Canada stock

The reason why I'm staying away from Air Canada stock today is the uncertainty in the travel industry. I don't think Air Canada will be going bankrupt anytime soon, but I also don't think it's reasonable to expect the major airlines to return to pre-COVID-19 profit levels anytime soon.

As tempting as it may be to pick up shares of a major airline at these prices, there are too many unknowns for me to invest in Air Canada today. Instead, I've reviewed two top companies that can offer a better bang for your buck than Air Canada.

Toronto-Dominion Bank

The banking sector was another area that was hit particularly hard by the COVID-19 pandemic. The lowered interest rates have hurt the banks in the short-term. As a result, gains of the Big Five have trailed the broader market over the past year.

The difference between the banks and the major airlines is that the banks have almost fully recovered from the COVID-19 market crash. Even so, I still believe the Canadian banks are a great long-term value play at these prices.

Not only are the banks undervalued, but they own some of the top dividend yields on the market today.

My top bank pick today is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). The $135 billion bank may not deliver market-beating gains over the next five years, but the reliable blue-chip stock can provide shareholders with an impressive 4% dividend yield.

Kinaxis

While this tech stock is not exactly your textbook value investment, it's trading more than 20% below all-time highs.

Kinaxis (TSX:KXS) is a $5 billion tech company that has a proven track record of delivering market-beating returns. Shares were up 80% in 2020, compared to the Canadian market's return of not even 5%. At one point last year, shares of Kinaxis were riding a Bull Run of 130%. But after topping out in early August, shares have been trending downwards.

Kinaxis shares initially soared during the pandemic as demand for its cloud-based supply chain software saw a massive lift. As consumers abruptly changed shopping behaviour, companies needed more help than ever with supply chain management.

In the company's most recent quarter, management reported revenue growth of 26%. Management went on to highlight that it believes the company's software has never been as critical to large-scale businesses as it is today.

Over the past five years, shares of Kinaxis are up more than 300%. The tech stock is definitely on a skid right now, which is why it's a great time to pick up shares.

I believe the company still has many more years of market-beating growth ahead of it. If you're looking to start a position in Kinaxis, you'll want to do it soon as it won't be long before it's back to trading at all-time highs.

Foolish bottom line

I'm not a complete bear on Air Canada stock. It's definitely an interesting value play, but I just think that there are still too many unknowns in the near-term future of the entire travel industry, specifically for air travel.

For investors looking for other value-oriented buys, TD Bank and Kinaxis is a perfect duo to add to your portfolio. Together, the companies can provide investors with stability, passive-income, and market-beating growth potential.

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