



## Forget Air Canada (TSX:AC): Here's Where Value Stocks Are Hiding

### Description

Canadian stocks have seen a massive rally in the last few months. Investor optimism led to the **TSX Composite** climbing to all-time highs at the hopes of a better year than the last. It wouldn't be difficult to improve on last year. However, that doesn't mean this year will be the catalyst for companies like **Air Canada** ([TSX:AC](#)).

In fact, Air Canada stock remains a devastated business that is likely to continue struggling into 2021 and beyond. There is hardly a company out there in Canada that has witnessed the negative impact of the pandemic that Air Canada stock has seen.

Yet investors are bullish on a rally. The vaccine has arrived, so shouldn't that mean Air Canada and its stock price will return to normal? Not necessarily.

### Cheap Air Canada stock doesn't mean valuable

Long-term, Air Canada stock might do well. I'll definitely give you that. The company has several reasons to feel positive about the future decades from now. Its investment in **Air Transat** means the company will have 60% of the market share in Canada. Its fuel-efficient fleet means it's already invested in airplanes that will bring costs down. It also reinvigorated its route, another cost-saving measure competitors might not have done already.

But for this year and the next few years to follow, the costs are going to be high for Air Canada stock. I mean that literally. Air Canada and other airlines will likely have to reinvest in several areas to allow passengers to feel safe travelling again, especially with COVID-19 variants out there. This is going to be a huge cost to the airline industry, so its debt will only continue to climb even as passengers continue to climb aboard planes.

Shares remain at around \$25 per share. While that's a huge drop from the \$50 range it hit last year, I'd argue it's just [cheap](#), not valuable.

## Buy an energized recovery play

Energy stocks are the perfect way to play a pandemic [recovery](#). You have two ways to do this. First, there's the renewable energy sector which will see investment from the United States under the leadership of President Joe Biden. His administration announced billions will be put into green initiatives.

But there's also oil and gas industries. While these companies haven't had the best time in the last few years, it looks like rock bottom was reached. Energy practically collapsed after 2018, and reached even lower with production coming to a halt under the pandemic. But now, it looks like the wait is over as the pandemic slowly comes to a close.

Energy companies have already figured out how to navigate within the pandemic, but with vaccinations finally being distributed it looks like production can really start pumping. That's why I'd seriously consider a stock like **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)).

A stock like Suncor stock is perfect for long-term investors looking for value in today's market. Even Warren Buffett has been convinced! As oil prices continue to climb, Suncor stock is in the perfect position to make a killing. It's the largest fully-integrated oil and gas company in Canada, with a healthy balance sheet that's kept shareholders happy even during a downturn.

Shares are down 47% since the highs back in July 2018. That, in my opinion, is the discount you get on this stock today. Shares are already up 31% in the last three months, and only likely to climb higher in a recovery. So now is the perfect time to buy up this perfect long-term hold.

### CATEGORY

1. Coronavirus
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### TICKERS GLOBAL

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2. TSX:AC (Air Canada)
3. TSX:SU (Suncor Energy Inc.)

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## Date

2025/09/12

## Date Created

2021/02/25

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