Forget Air Canada Stock: Here's a More Attractive TSX Value Pick to Play a Reopening

Description

Air Canada (TSX:AC) stock is viewed as one of the more obvious pandemic-recovery plays on the **TSX Index**. While the vaccine rollout could end this pandemic in the second half of 2021, one must not assume that Air Canada stock will enjoy a cleared runway for takeoff. Just because the pandemic's end is in sight does not mean the stock will be headed back to its early 2020 heights anytime soon.

There are still many risks that shouldn't be discounted. COVID-19 variants of concern and the potential for travel restrictions to stick around in the post-COVID world pose real risks to the top airline's recovery trajectory.

Moreover, Air Canada stock is starting to get a tad on the expensive side. Shares of AC are currently up over 89% off their October 2020 lows. After such a big run, I'd argue that the valuation bakes in some pretty sanguine recovery expectations, leaving minimal value to be had for investors seeking superior risk-adjusted returns.

Don't chase Air Canada stock after its recent run

Many hungry investors are looking for big gains ahead of the looming economic reopening, and some probably have their sights set on Air Canada, which remains off considerably from its pre-pandemic high.

With a greater chunk of revenues derived from international travel, though, investors must curb their expectations when it comes to the name. Air Canada faces a far tougher road to recovery than its more domestically focused U.S. peers, and its stock deserves to trade at a relative discount.

As of the latest quarter, cash burn rose considerably to $15 million per day, up from $9 million per day a quarter prior. Management doesn't see relief on that front anytime soon, and guidance remained muted. Despite this, investors seem more than willing to chase the stock amid its recent leg up.

With more shots in arms on the way, Air Canada will be in for some modest relief. But unless you're willing to hold Air Canada stock for five years, I'd look elsewhere, because I think more turbulence is likely on the way, as the firm looks to move on from the longer-lasting damage brought forth by the insidious coronavirus.

A more attractive TSX value stock to buy ahead of a reopening

If you're looking for a better risk/reward ahead of a sustained economic reopening, I'd look to fast-food juggernaut **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), which looks better poised to recover fully from the COVID-19 crisis.

Dining room closures and capacity limitations have dealt a major blow to the restaurant chains. And Restaurant Brands has been feeling far more pain than the likes of some of its bigger brothers in the fast-food scene that have been more up to speed with drive-thrus, mobile ordering, delivery, and takeout.

Tim Hortons and Burger King are both in major slumps, with the former chain suffering falling comps in seven of the last eight quarters. The pandemic's end won't solve the woes at Tim Hortons, but it'll be a start. And once Canadians return to their normal routine, I'd look for management to go back to the basics to make the brand great again.

As restrictions are gradually lifted, and people start eating out again, I think Restaurant Brands stands to breathe the biggest sigh of relief in the fast-food scene. With that, the stock could have the most room to run in the looming reopening.

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