



1 Top TSX Stock I'd Buy Over Air Canada (TSX:AC) Today!

Description

Canadians are starting to see a light out of the pandemic. Consequently, cyclical stocks like **Air Canada** ([TSX:AC](#)) are once again gaining steam on the **TSX**. I don't know about you, but there is a spring-like optimism in the market again. Certainly dropping COVID-19 cases and the acceleration of vaccine deployments is having a positive effect on airline, hospitality, restaurant, and retail stocks.

Air Canada stock is taking off, but is it a buy?

Since February, Air Canada stock has had a nice 43% run up. In fact, it is hitting near 52-week highs. However, it still trades 42% below its high set in November 2019. Many may be wondering if now is the time to get back into the stock. Perhaps it is, but I am choosing to stay on the sidelines. Unfortunately, the pandemic has seriously damaged Air Canada financially and operationally.

Firstly, numerous travel rules and restrictions still disable Air Canada from operating even at a fraction of pre-COVID-19 capacity. Given the rate of vaccine deployment, such restrictions could stay in effect longer than many Canadians hope. Nobody, not even Air Canada, can really say when its business will return to normal.

Secondly, since the pandemic, this stock has been losing massive amounts of money. In 2020, it reported a \$3.776 billion operating loss. To make up for this, Air Canada has taken on an additional \$3 billion of debt and offered nearly \$2 billion in new stock equity. Considering its growing leverage, share dilution, and uncertain operational future, it could take years for this stock to return to pre-COVID-19 profitability.

Right now, Air Canada just doesn't appeal as a short-term or long-term investment opportunity. Perhaps it is seeing some good vibes from the market's return to cyclical stocks. Yet, to me, it is going to take a very long time for the fundamentals to once again support its investment thesis.

A TSX growth stock I'd buy over Air Canada

If I wanted to take on some risk in a nice growth opportunity, **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) is a stock I would buy over Air Canada. Despite a [recent 30% pullback](#), this stock is still has a fairly elevated valuation. Yet, in 2020, it has demonstrated that its business can succeed in, through, and out of the pandemic.

The company provides omni-channel point-of-sales systems to retail and hospitality-focused merchants. Rather than losing business when COVID-19 hit, Lightspeed saw an acceleration of merchants adopting its platform. Its system integrates in-store sales with e-commerce, digital sales, pick-up, delivery, and even financing and payment optionality. Basically, this means traditional store-front businesses could still stay open and productive during lockdowns.

Over 2020, the company made some very attractive acquisitions that expanded its geographic and merchant reach. As a result, in its most recent quarter, customer locations grew by 74% over 2019 to 115,000.

Likewise, the company saw gross transaction volume increase 54%. Revenues also grew by 56% to \$120 million. Like Air Canada stock, Lightspeed is still not profitable. However, it is pursuing an aggressive strategy to become a global leader in the point-of-sales space.

Unlike Air Canada, Lightspeed has a strong balance sheet (\$200 million of net cash) and ample capacity for expansion ahead. The company has a sticky customer base and over 91% of revenues are recurring.

For the long run, I'd prefer to fly high with Lightspeed

If I wanted to take some risk and bet on a high-growth business, Lightspeed stock [has a long runway ahead](#) for shareholders. Unfortunately, for Air Canada stock, its runway is a little too short and its margin for error is too tight for me to fly with it right now.

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