



Forget Air Canada Stock: 2 Recovery Plays to Buy Instead

Description

For months now, **Air Canada** ([TSX:AC](#)) has traded range bound and sideways as the stock treads water waiting for the coronavirus pandemic to end. What was once thought of by many investors as a top value stock has consistently traded sideways and recovered nowhere near its pre-pandemic market price.

Meanwhile, almost every other Canadian stock has recovered, and some are even setting new highs. And given that Air Canada is losing value every single day, the longer it takes to recover, the lower its ultimate potential will end up being.

Air Canada is clearly not one of the best stocks to buy today. It's impossible to say if it's even undervalued at this price. It's currently trading right around the consensus analyst target price, meaning little upside for investors from here.

This pandemic will likely have a long-lasting impact. So looking at Air Canada stock and thinking it has value just because it's down from where it was before the pandemic doesn't make sense. The business has changed, and therefore, the price investors are willing to pay to own the business has changed.

Investors should forget Air Canada stock until it's clear that it's worth an investment. Here are two Canadian stocks that offer much better recovery potential today.

Forget Air Canada: look to the energy sector for a recovery

One of the top industries to play the recovery right now is energy. The energy sector was impacted more than almost any other industry. Unsurprisingly, it lagged the rest of the market as it recovered in the second half of 2020.

The energy industry is finally getting its turn to recover, and investors are seeing huge gains as a result. That's why it's one of the top investments to consider today, rather than buying Air Canada stock.

There are several high-quality individual stocks you can buy now that are seeing their outlook improving. One way investors may elect to gain exposure to energy, though, is through the **iShares S&P/TSX Capped Energy Index ETF** ([TSX:XEG](#)).

There are a tonne of benefits to [buying ETFs](#) like the XEG. The XEG offers Canadian investors exposure to some of the best energy stocks in Canada. It's a great way to play the sector's recovery while diversifying your investments to avoid single stock risk.

Some of its top holdings include energy giants like **Suncor** and **Canadian Natural Resources**. These stocks have seen significant share price increases over the last few months. So it's no surprise that the XEG is up over 80% in the last six months.

There is still plenty of upside for investors, though, which is why it's a much better investment today than Air Canada stock. Plus, it even pays a 2.1% dividend which is just an added bonus for an investment with huge potential.

Media and entertainment stock

The other top stock to consider today instead of Air Canada is **Corus Entertainment Inc** ([TSX:CJR.B](#)). Corus is a stock that initially offered investors an even better discount than Air Canada, despite its business being far less impacted.

Investors were concerned that Corus would be highly vulnerable to a decrease in advertising revenue while it was in the midst of a years-long turnaround effort.

And while the stock did experience a roughly 25% decline in sales at its worst point, it's managed its costs well and continued to earn impressive free cash flow. It's used this cash flow to continue to pay down debt.

So while many investors were concerned for Corus during the initial stages of the pandemic, the company is actually in a stronger financial position today than it was a year ago.

Now that it's clear Corus is performing better than expected, it's one of the hottest stocks in Canada. The stock is up nearly 100% in the last six months and continues to trade below analyst target prices.

Compare that to [Air Canada](#), which is up just 66% over the last six months and trading above its consensus target price, and it's clear that Corus continues to offer investors more potential today.

Not to mention it also pays a dividend. Today the stock yields roughly 4.2% making Corus one of the most attractive stocks you can buy.

CATEGORY

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1. TSX:AC (Air Canada)
2. TSX:CJR.B (Corus Entertainment Inc.)
3. TSX:XEG (iShares S&P/TSX Capped Energy Index ETF)

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Date

2025/07/17

Date Created

2021/03/12

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