Air Canada Stock: Is it Finally About to Take Off?

Description

Over a year after the coronavirus pandemic began, **Air Canada** (TSX:AC) stock continues to be one of the most popular stocks among investors. The stock and the whole airline sector were some of the worst-hit and continue to be stocks that investors think might be undervalued.

And while the stock price is certainly a lot lower than it was before the pandemic, there are no guarantees that Air Canada can return to its pre-pandemic price.

Me and many of my fellow Fools have been warning about an investment in Air Canada for a while. The stock could recover, but it's so hard to tell at this point. And because of all the uncertainty, an investment today is just not worth the risk.

Air Canada stock: Don't speculate on a recovery

Over the past month, Air Canada started to gain momentum and rally a bit. However, that was derailed by worries of a third wave. This seems to be the problem with Air Canada. Investors are eager to see the stock rally, but there aren't enough fundamental reasons to make a long-term investment.

Air Canada is the perfect stock to demonstrate why investors shouldn't speculate. It's also a great reason why you should look for quality over value and distressed businesses.

Often, if stocks look cheap, they are that cheap for a reason. And the problem with buying Air Canada today and waiting for its recovery is that you don't know when it's going to materialize.

So, with the company burning millions in cash each day, the longer you have to wait, the less value your investment will ultimately have when the stock does recover.

That's why it's not a good idea to try and speculate and buy Air Canada. It's also not a great idea to try and take a long-term position today when there is still so much uncertainty, and the stock continues to lose tonnes of value.

A top Canadian stock to buy instead

If you're interested in a high-quality Canadian stock that's trading undervalued, I would recommend considering **First Capital REIT** (TSX:FCR.UN) rather than Air Canada stock.

First Capital is trading well off its pre-pandemic highs, just like Air Canada. Unlike Air Canada stock, though, First Capital's business operations are in much better shape today.

The company owns a portfolio of mixed-use real estate. This is very important, as its diversification is what's allowed it to stay so robust.

It's no secret that retail real estate was one of the hardest-hit industries. That's what's impacted First Capital the most and why its stock price sold off.

First Capital is well positioned to handle this impact, though. It has some of the best locations for retail assets, and many of its locations are anchored by big, defensive businesses like banks, pharmacies, and grocery stores.

This is important, because it keeps revenue robust and increases foot traffic in those locations. This makes those retail locations more appealing to smaller businesses and helps First Capital recover from the effects of the pandemic a lot quicker.

That's why, even at its worst point over the last year, First Capital's revenue was down just 18%. Compare that to Air Canada stock at its worst point, which saw revenue declines of 89%, and it's clear how much better shape First Capital is in today.

Bottom line

It's important to look for stocks that are undervalued. However, investors need to look forward in order to make long-term investments. With Air Canada stock, that's very difficult to do today because of all the uncertainty.

That's why instead, I would consider First Capital or some other high-potential Canadian stocks today.

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2. TSX:FCR.UN (First Capital Real Estate Investment Trust)

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