



Forget Air Canada! 2 Air Travel Stocks That Could Offer Superior Gains

Description

When Canadians hear of [reopening plays](#), the first thing that's likely to come to mind is **Air Canada** ([TSX:AC](#)) stock. The top Canadian airline has been making headlines of late, thanks in part to financial support from the federal government. Although the vaccine rollout has been painfully slow on this side of the border, it's comforting to know that Ottawa will probably be ready and willing to lend a [helping hand](#) if Air Canada were to stumble again.

The coronavirus outbreak may be dying down in some countries (think the U.S. and the U.K.), but it's still horrifically bad here in Canada, and it's the worst it's ever been in India. For an international airline like Air Canada, the company really needs the world to accelerate its vaccine rollout before it can truly take to the skies again, as it did back in 2019.

I think it's tough to tell whether or not the pandemic will be kicked over the next year. While there are encouraging developments with **Pfizer's** vaccine boosters and a pill, which is reportedly in the works, investors need to realize that Air Canada stock remains a play on the timely end of this pandemic. With readily available federal government support, though, the name is more of a sound long-term investment than a pure speculation, as it was last year when nobody knew anything about the insidious coronavirus or the vaccine timeline.

Air Canada is a speculative buy, but there are better options out there

While I'd label Air Canada stock as a speculative buy, I can't say I'm enthused by the risk/reward tradeoff here. The stock has been on a heck of a run over the past year, and things could take a turn for the worse if variants were to pull ahead in their race against vaccines.

Fortunately, you don't need to hop aboard the turbulent stock for a shot at outsized gains ahead of a reopening. **CAE** ([TSX:CAE](#))([NYSE:CAE](#)) and **ONEX** ([TSX:ONEX](#)) are two cheaper, stealthier Canadian stocks that I think could outperform Air Canada stock over the next 18 months. Each name is lesser known but will still stand to benefit, as the air travel industry has a weight lifted off its shoulders

in late 2021.

CAE

CAE is a flight simulator manufacturer that could receive a massive boost as airlines look to re-train their pilots, many of whom haven't taken to the skies since early last year. The demand for training and simulators, I believe, will surge over the next 18 months, and CAE stock is likely to continue leading the upward charge, as its civil aviation business continues bouncing back from the worst crisis in its history.

It's not just the civil aviation recovery that has me bullish on CAE stock, though. The company is pretty diversified, and it's becoming more diversified, with the recent acquisition of L3Harris Technologies' military training business. The deal was worth north of US\$1 billion, but I think it will solidify the firm's footing in defence.

The stock is also ridiculously cheap at 3.6 times sales and 3.9 times book, both of which are lower than that of the industry average. While I think Air Canada will soar on the other side of this pandemic, I'd be willing to bet that CAE will ascend a lot faster, given it's demonstrated more resilience in the face of this crisis.

ONEX

ONEX is a lesser-known private equity company that acquired Air Canada's rival WestJet Airlines the year before the pandemic struck the world. The timing of the deal was bad, but ONEX stock has been punished accordingly. For those looking for diversification beyond air travel, I think ONEX is a top pick while shares trade at a near 20% discount to its book value.

While ONEX isn't an air travel pure play like Air Canada, the firm has a far sounder balance sheet and other wonderful businesses that will also benefit from the great reopening that's just up ahead.

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3. TSX:CAE (CAE Inc.)
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