



## Better Buy: Air Canada vs. American Airlines

### Description

The core business of airlines has taken a beating due to the pandemic. That much investors already know. Much of this decline is already priced into airlines such as **Air Canada** ([TSX:AC](#)), **American Airlines** ([NASDAQ:AAL](#)).

However, as we come out of the pandemic, investors might wonder which company to focus on. The question of whether Canadian or American Airlines will outperform coming out of this mess is an intriguing one. Let's dive into this discussion a bit more.

## The U.S. is miles ahead of Canada in terms of vaccine rollout

Perhaps the biggest catalyst buoying airlines stocks right now is the idea the economy will reopen soon. Accordingly, significant attention is being paid to vaccine rollouts for these companies at present.

The U.S. is much further ahead in this regard. Yes, Canada is catching up and increasing its rate of vaccinations. However, the large head-start the U.S. has in this regard could result in a reopening much sooner than in Canada.

Indeed, the U.S. is speeding towards an economic reopening. If the country is able to break the shackles of the pandemic-related restrictions, airlines could once again take off. One might argue these stocks already have, judging by their performance in recent months.

As normalcy becomes restored, domestic U.S. travel is expected to boom. International travel may be a bit more tricky for both American Airlines and Air Canada. There's still no consensus on how international travel will look this year or next. Thus, for now, domestic travel appears to be the key focus of investors. And in this regard, American Airlines looks to be the better pick.

On the flip side, the situation here in Canada does not look as good. The country is being hit hard by a third COVID-19 wave. Accordingly, the government is imposing stricter restrictions, and it remains to be seen when restrictions will begin to be lifted.

Simply put, I see more transparency toward the end of the pandemic in the U.S. right now. On this metric alone, I think investors may be better suited looking south of the border for airline exposure right now.

## Bottom line

[Air Canada](#) has traditionally had better fundamentals in comparison to the American peers. This has been the case for a variety of reasons. However, I expect this gap to continue, particularly over the near to medium term.

I think U.S. airlines deserve a higher multiple right now due to the growth prospects in the U.S. relative to Canada. Until we get more clarity with respect to the pandemic reopening timeline domestically, I'd stick to international options right now.

Air Canada's a great company, but every stock needs to be measured in relation to their peers. On that basis, I'd look at other options right now.

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### TICKERS GLOBAL

1. NASDAQ:AAL (American Airlines Group Inc.)
2. TSX:AC (Air Canada)

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