



1 Recovery Play That's Better Than Air Canada Stock

Description

Assuming everything goes back to normal within the next 18 months, there's no question that **Air Canada** stock could come [soaring](#) back, perhaps even back to its pre-pandemic highs. Many U.S. airline stocks have already staged epic rebounds from their 2020 implosions. That said, as more of a play on the recovery of international air travel, Air Canada faces a steadier, more muted ascent in this new normal type of environment.

Canada is leading the way with first doses. Over the next two months, many people will be getting their second jabs, and the much-feared fourth major COVID-19 wave may never happen. Such a [bull-case environment](#) bodes well for domestic air travel, but international travel remains a massive question mark, as various nations are at different stages in the COVID-19 crisis.

Air Canada stock is nowhere close to being out of the woods

Until the world can conquer COVID-19 and its variants, I think it will be tough for Air Canada stock to flirt with its all-time highs again. While I am optimistic about a conquering of COVID-19, investors must be realistic with their expectations regarding the international vaccine timeline.

Undoubtedly, it will take a global effort to curb uncontrolled spread in all parts of the world. And it could take at least two to three more years for Air Canada to post a full recovery. For long-term investors who are willing to hold on until Air Canada's profitability prospects normalize, Air Canada stock is a worthy buy on any meaningful dips.

For those who are rattled by volatility and don't want to have to put up with amplified downside in an already turbulent market, I'd look to some of the less-popular air travel recovery plays out there, many of which are trading at absurdly low multiples.

On this side of the border, consider **CAE** ([TSX:CAE](#))([NYSE:CAE](#)). The Canadian simulation technology company, I believe, boasts a risk/reward that's far more favourable than Air Canada or any other international carrier that's more dependent on the timely elimination of COVID-19 at the global level.

CAE: A flight simulator company that may be less risky than Air Canada stock

CAE is best-known for its pilot training services, which are going to continue to be in high demand over the next 18 months, as airlines across the globe take to the skies again. Many pilots will need to be re-trained before they take to the driver's seat. Such re-training en masse is less dependent on a timely elimination of the insidious coronavirus.

Beyond civil aviation training, CAE has a wonderful, growing defence business, which should keep the company's head above water should the coronavirus crisis take another unexpected turn for the worst. While CAE stock isn't dirt cheap anymore, it still has considerable upside, given the magnitude of tailwinds to its back in the late innings of this pandemic.

The stock trades at 3.8 times sales and 3.6 times book value, well below that of the industry average of 14.3 times and 3.8 times, respectively.

Bottom line

Air Canada will be in a good spot, as the percent of vaccinated Canadians continues to surge, thanks in part to provincial vaccine lotteries and new supply. That said, I do think the brighter summer is mostly baked into Air Canada stock's valuation. If there are bumps in the road en route to normalcy,

Air Canada shares could be prone to huge swoons. That's why I'm a bigger fan of CAE stock at this juncture, especially if you're looking to take some risk off the table.

CAE is more diversified and is less sensitive to how the COVID-19 pandemic timeline.

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