



## These 3 TSX Stocks Are Cheaper Alternatives to Air Canada

### Description

**Air Canada** ([TSX:AC](#)) stock surged more than 7% to over \$25 just a day after a 6% [dip](#) over fears of Delta COVID variant. These huge moves come ahead of the second-quarter earnings on July 23. People are waiting for the international skies to open so they can fly again. There will be waves and travel restrictions, but seeing passenger seats fill again has gotten airline investors' hopes up. But if a price of \$25 per share bothers you, some cheaper airline stocks are trading below \$5. These other stocks will benefit from Air Canada's rally.

### The recovery rally of Air Canada stock

I have been bullish on Air Canada's recovery and expect the stock to surge as much as \$40 in the next 12 months on the back of pent-up demand. Once the [recovery rally](#) fades, fundamentals could kick in, and the growth may stall. AC has a \$6 billion net debt on its balance sheet arising from the pandemic net loss that it needs to repay.

But for starters, the goal is to stop cash burn, and for that, it needs its planes up in the skies. The upcoming earnings on July 23 could present some optimistic revenue growth numbers. The stock surged 40% and 17%, respectively, in a month after its previous two quarterly earnings. I am expecting a 15-18% rally in the next 30 days. If you invest \$100 in AC now, it could surge to \$115 in the next 30 days and probably \$150 in a year. If this growth looks impressive to you, wait till you see the potential the below stocks hold.

### Transat A.T. stock

International tour operator **Transat A.T.** (TSX:TRZ) is a partner of Air Canada for holiday travels. AC was supposed to acquire Transat early this year, but it backed off in February due to delays in approval from the European regulator. Now, Transat has \$700 million in [bailout](#) money.

The pent-up demand that I have been talking about is from leisure travellers, giving Transat a better chance at growth. There is another reason. Until now, Transat stock had had limited upside because of the ongoing acquisition by AC. Now that the acquisition is off the table, the stock can ride the recovery rally. In the last 12 months, AC stock has surged 48%, while Transat surge only 14.6%. The latter has

a lot of catching up to do.

Even if Transat reaches the March 2020 level of \$8, that is a 40% upside. I won't discuss Transat's fundamentals, as the bailout has just saved it from bankruptcy. It is banking on a three-year recovery plan and hopes to achieve pre-pandemic level profits by 2026.

## Chorus Aviation

**Chorus Aviation** ([TSX:CHR](#)) provides regional aviation solutions to Air Canada and other Canadian airlines. Its solutions include commercial passenger and charter services and aircraft leasing solutions. It also offers aircraft maintenance, aircraft component, and contract flying services. If more planes fly, that means more business for Chorus.

Thanks to the leasing business, Chorus is in far better shape than Air Canada. Chorus also gives you a diverse exposure to all forms of aviation — passenger, cargo, air ambulance, aerial surveillance and more. Chorus stock surged 72% in the last 12 months, which is way higher than AC's recovery of 48%. You can buy Chorus stock for less than \$4.5/per share. Chorus will release its second-quarter earnings on August 12. I expect the stock to surge \$5.5, representing a 20% upside.

## Bombardier stock

**Bombardier** ([TSX:BBD.B](#)) manufactures planes. However, since its passenger plane models failed in 2013, the company has been selling off its businesses to reduce debt. Now, all that is left of Bombardier is the business jet segment — the only profitable business for several years. Plus, the reopening of international travel restrictions is reviving orders for business jets. It received a 10-aircraft order last month.

The business restructuring and demand recovery have pushed Bombardier stock up more than 200% year to date. The second-quarter earnings are scheduled for August 5, where you could see some positive trends in the balance sheet.

### CATEGORY

1. Coronavirus
2. Investing

### TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:BBD.B (Bombardier)
3. TSX:CHR (Chorus Aviation Inc.)

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