



1 Dividend Rockstar I'd Buy Over Air Canada

Description

The broader **TSX** has been riding high of late, but underneath the hood are a plethora of attractive-valued dividend rockstars, many of which are hiding in plain sight.

Undoubtedly, the “Delta” variant of COVID-19 has been on the top list of things to [worry](#) about going into August 2021. And while various other nations are heading back into lockdown, I ultimately think that continued vaccination efforts are likely to prevent a severe derailment of the economic recovery.

While variants of concern could dampen the economic recovery over the medium term, I'd be willing to bet that there's no stopping the current recovery. Still, many of the more aggressive reopening plays like the restaurants, office REITs, retail, travel, and hotels remain at risk in a semi-normal type of environment that could see intermittent restrictions over the next 12-18 months.

That said, such reopening plays likely have early-2020-style lockdowns partially baked into their valuations. And it's these such names that may be worth picking up going into what seems like a “Goldilocks” environment in August.

Air Canada may take longer to recover

In prior pieces, I highlighted the risks of jumping into the deep end head-first with the most aggressive reopening stocks, most notably **Air Canada** ([TSX:AC](#)), the first reopening play that should come to mind for Canadian investors. While the profitability prospects in the post-pandemic environment make the stock worthy of buying as COVID-19 restrictions continue weighing on the top-line, there's simply no telling when the weight of international travel restrictions will be lifted off its shoulders.

Undoubtedly, the global vaccination efforts have gone far slower than here in Canada. And until the world achieves herd immunity, Air Canada is unlikely to return to those 2019 levels. Although the advent of rapid testing, vaccine passports, and all the sort could alleviate major pressures, it will be a tough uphill climb if there are a handful of nations that are suffering from outbreaks at any given instance.

Today, the U.K. and Israel are facing Delta-driven outbreaks while Canada is reopening its doors. In a month from now, the U.S. could be in the midst of another wave. And in two months, Canada could be at risk of entering a fourth wave, as the U.K. winds down from its current wave.

On the flip side, the nation could reach herd immunity this fall, thus preventing another round of reopening rollbacks. Such a scenario could be a huge boon to domestic reopening plays, as I mentioned in prior pieces.

Better value in Restaurant Brands

At this juncture, **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) strikes me as a better value than a more aggressive reopening stock like Air Canada. Why? Restaurants are coming back in a big way. **Domino's Pizza** clocked in some incredible results on Thursday that was the tide that lifted the broader restaurant scene. Given that Restaurant Brands is one of the hardest-hit fast-food firms, I see immense catch-up potential in the name going into year-end.

Moreover, Restaurant Brands isn't just sitting back, hoping that things return to normal so its three chains can start flying high again. The company is actively investing in initiatives to improve upon mobile, delivery, and drive-thru, three areas that Restaurant Brands has been weak in relative to many high-flyers in the quick-serve restaurant space currently at new highs.

The bottom line on dividend rockstars

In due time, the stars will align for Restaurant Brands, and the stock, like its peers, will be headed to new highs. Until then, there's a sizeable 3.2% [dividend](#) yield to collect from the dividend rockstar as you wait for Canada, then the world, to achieve herd immunity.

For now, all sights are set on the 70% global vaccination goal that the World Health Organization is looking toward. Could that level be hit by mid-2022? If all goes well, I wouldn't rule it out.

CATEGORY

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