2 Reopening Stocks I'd Buy Instead of Air Canada

Description

Air Canada is a great reopening play, but one that carries many risks amid the ongoing COVID-19 pandemic. I have no idea whether variants will prolong this pandemic through 2022 or if vaccinations will win their race against variants of concern. While I'm not against nibbling into a starter position in the cash-bleeding airline at this juncture, I'd much rather put money to work in a name that's not so reliant on exogenous factors.

Undoubtedly, the end of the pandemic and global travel restrictions would allow Air Canada stock to take off. But if you're not keen on the more aggressive reopening plays at this juncture, I don't blame you. While there *is* a pathway to the pandemic's end with vaccines, the route to the post-pandemic world remains highly uncertain. And with that, risky for those who don't have a portfolio that's properly balanced.

Not the only TSX reopening stock with post-pandemic upside

Remember, the investment legends view investing as a means of maximizing potential returns relative to risk. If you'll bear great risk, it's your responsibility to ensure you'll be properly compensated. Moreover, as a value investor, you must strive to put in the work such that your odds of getting a bit more than your buck are maximized. Indeed, being a value investor is like being a shopper on a very tight budget. You need the bargains and the deals to make every invested dollar go as far as it can.

As far as risk/reward is concerned, investors can sacrifice a bit of reward for a heck of a lot less risk taken on by preferring a name like **ONEX** (TSX:ONEX) or **Canadian Tire** (TSX:CTC.A) over the likes of an Air Canada. Both names are dirt cheap and are poised to continue higher, even if the Delta variant brings forth a fourth wave that could worsen in September.

Moreover, both companies, I believe, have proven that they can hold their own if lockdowns strike if a variant were to force the government to shut things down to curb the spread. While operations will take a hit, both companies have solid balance sheets to ride out a potential worst-case scenario, which would be a repeat of the lockdowns suffered last autumn and winter.

ONEX

ONEX is a private investment holding company best known for being the parent to Air Canada peer WestJet Airlines. While all airlines have been under pressure amid travel restrictions, ONEX has the advantage of its rock-solid balance sheet and its other cash-flow-generative businesses. The whole basket of businesses under the ONEX umbrella traded at an absurd discount to book value last year. Certainly, I pounded the table on the reopening stock.

Today, the wide discount to book has vanished amid ONEX's robust rally. Still, I think the underrated firm has ample room to run if we are, in fact, nearing the end of the pandemic.

Canadian Tire

Canadian Tire is another firm with an incredibly strong balance sheet that will hold up if lockdowns loom. The brick-and-mortar retailer has silenced the doubters with incredible strength in its e-commerce platform. Still, as we return to normal, I think brick-and-mortar will really start to shine once again. Factor in new product offerings and a potential post-pandemic spending splurge into the equation and I think the iconic retailer could be in for a couple of quarterly earnings beats moving forward.

For a discretionary retailer, the stock is far too cheap at just 13.2 times earnings. That's absolutely ridiculous given the much-improved macro picture and the potential for further recovery heading into 2022. With a 2.4% dividend yield, Canadian Tire is a magnificent value stock for any investor who wants to tilt the risk/reward in their favour.

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1. Investing

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2. TSX:ONEX (Onex Corporation)

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