Is Air Canada the Top Value Stock to Buy Now?

Description

Ever since **Air Canada** (TSX:AC) stock came crashing down at the start of the pandemic, it's generated a tonne of interest from investors. We're roughly a year and a half since the start of the pandemic, and Air Canada stock continues to trade more than 50% below its pre-pandemic price.

That's one of the main reasons for optimism from investors. Many think there could be a major opportunity once the business can recover and get its planes back in the air.

Unfortunately, it's a lot more complicated than that, and while the stock looks undervalued, it faces some severe headwinds.

How long until Air Canada's stock price can recover?

As we've seen already, with Air Canada stock trading rangebound for the last nine months now, I think it could be a while before its share price can recover.

Although domestic travel has already started to pick up and could continue to recover, a recovery to pre-pandemic levels of international travel could take years.

But the problem for investors is that even if the company's operations were to somehow return to 100% capacity overnight, it still would be worth nowhere near $50 a share today.

In order to survive over the last year and a half, Air Canada has had to take on a tonne of debt. It's also diluted shareholders. So you may be surprised that while its share price is down more than 50% from the pandemic, its enterprise value is actually higher than it was at the end of 2019, right before the pandemic hit.

So rather than tying your money up in Air Canada stock during all this uncertainty, I'd recommend you consider a stock with a lot less risk and a lot more upside in the short run.

A top recovery stock for savvy investors to buy today

If you're looking for a stock that is still undervalued and yet to recover fully from the pandemic, **Boston Pizza Royalties Income Fund** (TSX:BPF.UN) looks like a much better investment today.

Similar to Air Canada stock, the pandemic is still impacting Boston Pizza's business. However, unlike Air Canada, Boston Pizza has been able to recover a lot faster. In addition, it continues to earn an impressive amount of revenue (albeit still down significantly from pre-pandemic levels), enough to pay out an attractive dividend today.

So investors can buy this undervalued stock and earn an attractive dividend while you hold. And as Boston Pizza continues to recover while we continue to progress through the pandemic, not only can you expect a rally in the price of the units, but you can expect some significant increases to the dividend too.

There is, of course, still some uncertainty in the short term. Nobody knows how badly this fourth wave will be, especially now with much of the population vaccinated.

Nevertheless, it's crucial to keep this risk in mind if you're thinking about an investment. Boston Pizza stock, though, has proven it will protect value for investors far better than Air Canada can.

So if you're looking for a cheap recovery stock and willing to take on the risk, in my view, Boston Pizza is the much better choice for investors today.

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