2 TSX Stocks I’d Buy Over Air Canada for Year-End Gains

Description

Air Canada stock isn’t the only game in town for venturesome investors looking to risk a bit more for a lot more reward. Sure, the worst of the COVID-19 pandemic may now be in the rear-view mirror. And sure, the federal government is more than likely to provide additional financial support should Air Canada take a turn for the worst if ever a future lockdown were to happen again. But with the threat of variants, a potentially permanent destruction in demand for business travel, and a low global vaccine rate, Air Canada stock could remain turbulent for another year or even two.

Moreover, Air Canada stock isn’t exactly the cheapest reopening play out there given the high risks involved. Undoubtedly, international travel faces far more uncertainty than domestic airlines. So, don’t think that Air Canada stock will flirt with its all-time highs as quickly as its more domestically focused peers in the States.

Air Canada stock is a great recovery play, but it’s not the best one

For prudent investors who are all about maximizing risk-adjusted return potential, there are easier opportunities out there. Some don’t depend on a timely end of this pandemic or herd immunity to COVID-19 and its variants of concern at the global level.

Consider **CAE** (TSX:CAE)(NYSE:CAE) and **Restaurant Brands International** (TSX:QSR)(NYSE:QSR): two high-quality reopening plays that could see levels of business return to normal far sooner than the likes of an Air Canada.

CAE

CAE is a simulation technology manufacturer that’s been really weighed down by its civil aviation segment amid the pandemic. With a solid, growing defence business, though, CAE is a far more diversified way to play the multi-year recovery in the air travel space. Moreover, CAE has a better balance sheet and is not in need of the kind of relief that Air Canada needed during the worst of last year's COVID disruptions.

In essence, I view CAE as a more conservative way to play a rebound in air travel. Fresh off a decent, albeit underwhelming, second quarter and a nearly 14% correction in the share price, I think CAE looks very interesting as a recovery play. The stock has gone nowhere since last December but is positioned for a breakout, perhaps in the backend of this year should further COVID waves be averted.

In any case, CAE doesn't look nearly as vulnerable should worse comes to worst and travel restrictions are back on in full force. Demand for simulators could take a temporary hit, but the stock is unlikely to fold as Air Canada would in such a scenario.

Restaurant Brands International

Restaurant Brands International stock also has not gone anywhere since the rally ran out of steam in June 2020. Shares have been fluctuating wildly in the $80 range, despite evidence of a recovery and a solid modernization strategy which appears to be discounted by analysts on the Street.

The stock recently clocked in a blowout number that saw digital sales pop over at Burger King. There was strength across the board of brands under QSR's portfolio. Today, the stock is right back to where it was before the big earnings beat that sent shares briefly past the $85 mark. I'd encourage investors to check out the quarter and initiate a position if they find the move, which was driven partially by Delta fears, to be irrational.

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2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:CAE (CAE Inc.)
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