Air Canada (TSX:AC) and 2 More Cheap Stocks to Buy Now

Description

Though the COVID-19 cases continue to tick up in some areas, I believe the worst of the pandemic is behind us. Further, this could be an opportunity to bet on stocks that will likely gain from easing restrictions, increased economic activities, and normalization of demand trends.

While **Air Canada** (TSX:AC) continues to be my top recovery play, I am equally bullish on two more TSX stocks. Let's look at the reasons why I expect these two Canadian companies and Air Canada to deliver high returns in the medium to long term.

Flyers to return

The new variant of the virus, continued cash burn, higher debt, closure of international borders, and lower bookings (below the pre-pandemic levels) continue to cap the upside in Air Canada stock in the near term. While I acknowledge these near-term challenges, I maintain a bullish outlook on Air Canada's long-term prospects.

I believe the ongoing vaccination, easing travel measures, an uptick in domestic demand, and reopening of international borders could significantly boost Air Canada's financial and operating performance in the medium to long term. Though its financials will likely remain muted in the near term, I expect to see sequential improvement in the coming quarters. Furthermore, Air Canada's revenue diversification strategy with continued momentum in the air cargo business and focus on lowering costs augur well for growth.

Air Canada stock took a significant amount of beating and has only recovered partially. It continues to trade at more than 50% discount to the pre-COVID levels, providing a good opportunity to go long at the current price levels.

Higher oil prices make Suncor attractive

Like Air Canada, **Suncor Energy** (TSX:SU)(NYSE:SU) stock has also witnessed only a partial recovery. With oil prices trading well above the pre-pandemic levels and economic activities picking up pace, I expect Suncor to deliver strong financials in the coming quarters, which will likely boost its share price.

Its integrated business, higher average realized prices, improved mix, and lower breakeven costs would likely support its profitability. Further, its strategic capital-allocation strategy and focus on lowering its debt augurs well for future growth. Suncor continues to pay a regular dividend and is enhancing its shareholders' returns through share buybacks.

Overall, improved energy outlook and Suncor's dominant positioning make me bullish on its stock. Further, Suncor stock is still trading at a significant discount from the pre-pandemic price levels, and it offers a decent yield of about 3%.

Another top energy play

With an improving operating environment and recovery in its mainline volumes, **Enbridge** (TSX:ENB)(NYSE:ENB) is a solid long-term bet that you could consider buying now. Further, investors will likely benefit from Enbridge's robust dividend payments.

Enbridge's diversified revenue streams, strength in the core business, and $17 billion secured capital program will likely drive its financials. Further, its recent acquisition and strong growth opportunity in the renewable power segment will likely support its EBITDA and distributable cash flows.

Enbridge stock has recovered almost all of its lost value and is up about 49% in one year. However, its next 12-month EV/EBITDA multiple of 12.4 is still lower than its historical average. Besides trading at a lower multiple, Enbridge stock offers a stellar yield of 6.4%.

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Date
2025/08/16
Date Created
2021/10/28
Author
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