Here's a Canadian Stock I'd Buy Over Air Canada in 2022

Description

Air Canada (TSX:AC) stock is the ultimate back-to-normal play. As the pandemic goes endemic, Canada's top airline is bound to take steps towards reaching its pre-pandemic highs — or so many investors think. Undoubtedly, Air Canada's international focus makes its recovery a rockier one. With the Omicron variant spreading across various parts of the world, it's not a mystery as to why shares of Air Canada have been retreating so viciously. While I'm not against picking up a few shares at around $20 and change per share, I think that most investors have options to play the recovery in the air travel space without having to risk a great deal.

Betting on WestJet (through Onex stock) over Air Canada

Consider **Onex** (TSX:ONEX), the owner of Canada's number two airline, WestJet. While Onex may not be an air travel pure play like Air Canada, it is a cheaper option with lower downside risks if a fifth wave of this pandemic triggers another round of full (or partial) lockdowns.

Ultimately, I think Air Canada stock can hold the $20 mark. Government relief is likelier to be readily available than for most other firms impacted by COVID. Still, if terms or government stakes become less favourable, there's always a chance that the $20 support level in AC stock could be broken. If it does break the support level, the stock could easily tumble to the mid-teens and perhaps even overextend below the level. Undoubtedly, that's a lot of downside risk for a high-upside bet that may not be so timely, given further variants and waves that could strike over the next 18 months.

While I am bullish on the longer-term air travel recovery trajectory, I would look to favour firms with stronger balance sheets and insist on a more domestic focus. Onex fits the bill as a more liquid reopening play, with much to benefit as the world returns to normal.

A safer reopening play than Air Canada stock?

Undoubtedly, Onex is a lesser-known Canadian company. But it's one that should have the attention of value investors. Currently, the stock trades at 0.77 times book value and 2.7 times sales. The 1.44 fiveyear beta means that Onex stock is likelier to be more volatile than the broader TSX Index. Still, you're getting a lot for every invested buck while shares trade at a hefty discount to their book value. The company behind WestJet also owns many other solid businesses that have felt the impact of the COVID crisis. As conditions improve, so too will the firms under the Onex umbrella. And if things remain bleak, with Omicron and other variants bound to follow, Onex still has the means to adapt and thrive in spite of the circumstances.

Indeed, it's tough to find proven managers that have outperformed the broader markets over extended periods of time. And it's even tougher to find managers of a firm whose stock trades at a discount to book. Sure, Onex's subsidiaries may be better known to your average Canadian. But the firm behind the scenes, I believe, is worth betting on, especially as its relief rally stalls.

Bottom line

Air Canada may still be a great bet depending on what's up next with the pandemic. For investors who want a better risk/reward scenario and a less-choppy ride, though, Onex may be a worthy bet.

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