



Lightspeed or Air Canada: Which Cheap Stock Should You Buy?

Description

Air Canada ([TSX:AC](#)) and **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) are two of the most popular stocks on the **TSX** today in large part because they are so cheap.

While investors are similarly interested in both stocks due to the fact that they look like they could be [undervalued](#), the reason these stocks have fallen out of favour couldn't be more different.

On the one hand, Air Canada stock has been cheap for almost two years now and hasn't really shown any sign of recovery as of late. Of course, the major reason Air Canada is cheap is that it's been so heavily impacted by the pandemic.

In fact, travel and tourism, as most Canadians know by now, continue to be hard-hit industries. Over the course of the last year since the vaccines were rolled out, there has been hope from investors that Air Canada would start to recover, but to no avail.

And now, its stock has traded range-bound for a year, and lately, with the new Omicron variant, it's started to sell off again.

On the other hand, Lightspeed stock had grown tremendously through the pandemic. It was one of the top growth stocks in the high-potential tech sector. Then, in late September of this year, the company was hit with a significant short report and has been underperforming the TSX ever since.

Which is the best investment today? Air Canada or Lightspeed stock?

The first thing to consider any time you're looking at investing your hard-earned money is if you can buy this stock for the long run. Do you feel comfortable owning the business for a minimum of five years? If it's not a stock you have that much confidence in or can't commit to for the long haul, then I wouldn't even bother considering it at all.

If you have decided that Air Canada, the largest airline stock in Canada, and Lightspeed, an exciting

company in a high-growth industry, are companies that you are willing to buy and hold for the long run, then here is what to consider.

After Lightspeed stock was hit with a [short report](#), the stock initially fell only slightly. However, over the last few months, combined with the market environment becoming more volatile, Lightspeed stock has continued to sell off, and now it's right around the value that was initially estimated for the company in the short report.

So, you could consider taking a position today, now that your downside risk is a lot less, and therefore, you have a better margin of safety.

On the flip side, Air Canada stock is now trading roughly 30% off its 52-week high and at one of the cheapest valuations since the vaccines were announced last year.

So, both stocks are certainly cheap and offer investors compelling value. But which is the better buy today?

Which stock offers more potential?

Although there is a little bit more risk with Lightspeed stock after the short report, it's so cheap right now that there is very little downside. In addition, should Lightspeed be able to get its business back on track, it's a high-quality tech stock that's capable of growing in value quite significantly. So, the stock offers a tonne of potential to investors willing to take a long-term position.

Air Canada, while cheap as well, in my view, doesn't have as much upside. The new variant reminds us that the pandemic isn't just going to go away, and as long as it persists, the travel and tourism industries will continue to be heavily impacted.

In addition, while Air Canada stock traded above \$50 before the pandemic, it has lost so much value and taken on so much debt through the pandemic, it's now worth much less, even when it can start to recover. In fact, if you look at Air Canada's [enterprise value](#), a better measure of the company's total value than market cap, it's actually worth more today than at the start of 2020, before the pandemic.

So, for now, while both these popular stocks look cheap, I'd have to give the edge to Lightspeed.

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Date

2025/08/25

Date Created

2021/12/10

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