



## Avoid Air Canada (TSX:AC) Stock if Investing in Aviation!

### Description

Sir Richard Branson famously said, “The easiest way to become a millionaire is to start out as a billionaire and then go into the airline business.” I’m not opposed to investing in airlines, but now does not seem like a good buying opportunity for **Air Canada** ([TSX:AC](#))(TSX:AC.B), **WestJet**, considering recent events.

It has been an exciting month for shareholders of the three biggest publicly traded Canadian commercial airlines. Over a one-month trailing period, the share price of Air Canada has risen 26%, WestJet has increased by 58%, and Transat A.T. has shot up 117%. The movement was the result of two big news stories.

For WestJet, an agreement was reached with **Onex** to [acquire and take the airline private](#) for \$31 per share. For Air Canada and Transat A.T., exclusive talks were announced that indicate interest for [Air Canada to purchase Air Transat](#) and associated travel businesses for approximately half-a-billion dollars and \$13 per share. While not yet finalized, both agreements would bring major change to the Canadian aviation industry and could result in only a single publicly traded Canadian commercial airline.

Air Canada has maintained healthy growth predictions for 2020 and 2021 but has recently suspended the 2019 financial forecast due to uncertainty with the **Boeing** 737 Max 8 aircraft. This should be a strong warning sign to investors that Air Canada expects to take a significant short-term hit from a grounded fleet of 24 Max 8 aircraft.

Considering the stock has risen more than 50% year to date, investors should approach Air Canada with caution and wait for a better entry point. Investors will be able to make a more well-informed decision after the Boeing 737 Max 8 returns to service and Air Canada can disclose the full impact of temporarily losing 24 aircraft.

Where should investors look in the short term? Instead of purchasing a commercial airline, investors should consider **CargoJet** ([TSX:CJT](#)) as an alternative way to invest in the Canadian aviation industry. CargoJet, as the name suggests, is a cargo airline operating in Canada and select international

destinations.

CargoJet is well established as the backbone for e-commerce deliveries for all major couriers in Canada as well as the go-to choice for **Amazon** Prime deliveries across Canada. With the ability to reach 90% of the Canadian population through overnight deliveries, CargoJet has a leadership position in the Canadian e-commerce industry and is looking to grow by taking advantage of new cross-border e-commerce opportunities.

## Investor takeaway

Canadian investors should wait for the conclusion of the Boeing 737 Max 8 saga before purchasing Air Canada stock. Long-term growth prospects remain strong for Air Canada, but investors should anticipate a buying opportunity after Air Canada can better understand the business impact from losing 24 aircraft. CargoJet remains a strong alternative for investors as demand for high-value and time-sensitive shipping continues to increase.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:CJT (Cargojet Inc.)

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