



Should You Buy Airline Stocks?

Description

The airline industry is in a tailspin of epic proportions. Amidst the coronavirus pandemic, airlines were grounded around the world to stop the spread of the virus. Canada may only be in the beginning of this terrible pandemic, with many more months to go potentially before the end is near.

It's leaving Canadians with two problems on their minds: health and money.

While I'm not the best resource when it comes to providing health advice (please visit the World Health Organization for health guidelines), I can give you a heads up for at least one industry.

Airline companies such as **Air Canada** ([TSX:AC](#))(TSX:AC.B) and **Cargojet** ([TSX:CJT](#)) are two Canadian airline stocks that have been getting a lot of attention during this economic downturn, and both have seen major plummets in the last month, with a return to normalcy nowhere in sight.

Today I'm going to focus on these two companies to give you a broader look on whether now is the time to buy airline stocks — or wait until the chaos subsides.

Air Canada

Air Canada had an amazing run up until recently. The stock hit an all-time high of \$52.71 per share back in January, with many analysts still believing that this stock would keep going strong.

However, as Fool writer [Joey Frenette](#) mentioned back then, as the pandemic began to climb, it looked like that was the time to sell. Unfortunately, he was right. Air Canada and others in the airline industry plummeted, but Air Canada saw a fall not witnessed since 2009, when the stock dropped to under a dollar per share.

It would be three years before there was any signs of life in the stock. Since then, Air Canada has become the number one airline in the country. While there are some that fear the company could go bankrupt, it's doubtful.

When coronavirus is in the rear-view mirror, Air Canada will be the first in the airline industry in Canada to come back from the brink. Granted, it is likely to report a loss or two in the next year.

However, over the long term, the company has set itself up to take on every area of the airline industry: low-cost airfares, business savvy, efficient planes, and increased global stops. So when the economy takes off, you can bet that this stock will too. So at a price of nearly half its fair value, today is a great buy for long-term investors.

Cargojet

Here's where things get tricky. On the one hand, Cargojet should also be a deal. However, the company hasn't taken as nasty of a spill as Air Canada. Cargojet fell from peak to trough almost 40%, but has bounced back up. The stock remains undervalued, but not by much. So is there [still a deal](#) for airline investors?

The thing is, Cargojet is needed at a time like this. The company is responsible for quick overnight shipment of items, which makes Cargojet practically essential during this pandemic not only to get you a delivery of toilet paper, but also to get the essential items our brave healthcare workers desperately need. In fact, the company announced that it might even start day time shipments to meet demand.

CargoJet was strong before the pandemic, with growing revenue coming out of the e-commerce industry. That's unlikely to stop when this virus is behind us, as the e-commerce industry is booming.

It's more likely that CargoJet will prove to investors just how essential it is — now and in the future. So while it's not a screaming deal, it's definitely a great long-term hold at today's prices.

CATEGORY

1. Coronavirus
2. Investing

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2. TSX:CJT (Cargojet Inc.)

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Date

2025/08/26

Date Created

2020/04/03

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