Forget Air Canada (TSX:AC) and Buy This Canadian Growth Stock Instead

Description

The COVID-19 pandemic has completely decimated stocks that are part of the airline, travel, and hospitality industries. Several countries have closed their borders and grounded international flights, dragging shares of **Air Canada** (TSX:AC)(TSX:AC.B) and peers to multi-year lows.

Air Canada stock is currently trading at $14.55, which is 70% below its record highs. Shares of air travel aggregators such as **Expedia** are also down 60% in less than two months. Some might view Air Canada as the ultimate contrarian buy right now due to its strong balance sheet, falling oil prices, and hopes of a market rebound.

However, even if governments successfully get the dreaded coronavirus under control, the airline industry is unlikely to gain momentum right away, especially if recession fears come true. Airline stocks perform poorly in a downturn due to lower consumer spending and high unemployment rates.

Last week, over six million people applied for unemployment benefits, as COVID-19 continued to take a massive toll on businesses amid lockdowns and social distancing.

On March 30, Air Canada announced a temporary layoff for 16,500 employees, as it focuses on cutting costs and operating expenses. In the June quarter, Air Canada has forecast average seat miles capacity to fall by a massive 50% year over year.

Economists predict that the upcoming recession may be far worse than the one experienced during the financial crisis of 2008-09. This means equity markets and especially airline stocks such as Air Canada may remain volatile in the near term.

Cloudera expects revenue growth of 8-10% in Q1 2021

At a time when several companies have withdrawn or lowered their guidance for the upcoming quarters, Canadian technology company **Cloudera** (NYSE:CLDR) expects revenue growth between 8% and 10% in its fiscal first quarter of 2021, ending in April.

During its earnings call, Cloudera management stated that revenue from its Services business is likely to be impacted from the COVID-19 pandemic, but this segment accounts for 14% of sales. It remains confident about the core subscription business, which ensures a stable stream of recurring revenue. For fiscal 2021, Cloudera forecast revenue growth of 8-11%, while its earnings are estimated to improve from -$0.13 in 2020 to between $0.25 and $0.29 this fiscal.

Cloudera offers a range of enterprise software for public, private, and hybrid cloud platforms. It has integrated its platform to those of cloud giants **Amazon's** Web Services and **Microsoft's** Azure.

Cloudera stock went public back in April 2017 and has lost over 50% in market value, as investors are worried about the company's decelerating top-line growth and high cash burn rate. However, the massive pullback has meant that Cloudera is currently trading at an attractive valuation.

With a market cap of $2.22 billion, it has a forward price-to-sales ratio of 2.6. Further, Cloudera's forward price-to-earnings multiple stands at 29, which is an absolute steal considering its five-year estimated earnings growth of 78.4%.

Cloudera's outlook for 2021, low valuation multiples, and expanding profit margins make it an ideal pick for contrarian investors.

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