



Forget Air Canada (TSX:AC): This Small Airline Stock Has Way Less Risk!

Description

Air Canada ([TSX:AC](#))(TSX:AC.B) stock was hit especially hard in the COVID-19 market crash. Falling 72% from February 20 to March 20, it was really in the gutter. Now, investors are starting to smell a bargain and are pushing the stock up.

The bull thesis seems to be that the stock will get back to its previous revenue and earnings level once travel restrictions are lifted. Pandemics don't last forever, and once this one is over, it should be back to business as usual.

There are some problems with this theory. First, nobody knows how long the COVID-19 travel restrictions will last. Second, it's possible that even when Air Canada is *allowed* to operate normally, individual travellers will remain wary and stay at home. Third, the company is facing a lawsuit over refunds that would lead to a massive cash outflow if successful. Finally, there are signs that Air Canada is running low on cash and [at risk of another bankruptcy](#).

If you're looking to profit off Air Canada's bounce back, those are the risks you'll have to take. But if you're looking for a safer airline play, you may be in luck. There's one small Canadian airline that could be a genuinely good buy right now. This stock is far more expensive than AC but faces fewer risks from COVID and travel disruptions. It doesn't have quite the upside that AC does in a best-case scenario. However, it's much less risky.

CargoJet

CargoJet ([TSX:CJT](#)) is a small cargo airline based out of Hamilton. Because the company transports goods, its operations are not as severely disrupted as Air Canada's are. Most cargo flights are still allowed to operate normally. It's the reason why Air Canada is currently pivoting to more shipping flights to make up for lost passenger flights. Shipping vital goods is an essential service, so cargo flights must go ahead. This puts cargo airlines like CJT more in league with a **CN Railway** than a passenger airline like Air Canada.

Why it's better than Air Canada right now

As outlined above, CargoJet is safer than Air Canada now because its operations are less disrupted by COVID-19. Like AC, CJT stock dropped precipitously in the COVID-19 selloff. Unlike AC, its fundamentals won't likely be affected too much. In fact, the company may even benefit from ongoing retail business closures. Recently, CargoJet put out a press release saying that it was experiencing "higher-than-usual freight volumes," because of increased e-commerce shipments. That puts it in an even better boat than the likes of CN — another essential service that can remain operational right now but is seeing lower-than-usual volume.

Foolish takeaway

Over the years, CargoJet has delivered incredible value for shareholders, rising 1,000% in under a decade. As a result, the stock has [gotten expensive](#). I wouldn't expect this stock's future to be as good as its past. However, if you're looking for an airline stock that can bounce back in the recovery, CJT is safer than AC.

CATEGORY

1. Coronavirus
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