



## Forget Air Canada (TSX:AC): This Airline Stock Is at All-Time Highs!

### Description

In the age of coronavirus, **Air Canada** ([TSX:AC](#)) is a hard stock to value. The stock's trajectory will ultimately be determined by news relating to the [coronavirus](#) or the arrival of a vaccine. The airline stocks are, indeed, a speculative bet that not even Warren Buffett is comfortable making.

### Air Canada is too speculative for many Canadian investors

In many prior pieces, I've outlined the fact that the coronavirus-related uncertainties have caused the lines between investment and speculation to be blurred for hard-hit industries such as the airlines. Sure, Air Canada could prove to be undervalued if a vaccine were to land tomorrow, but on the flip side, the stock could also be worth next to nothing if a worst-case scenario pans out and this pandemic lasts through 2021.

Air Canada is a speculation, but it's one that may be worth taking. For those, like Buffett, who have no desire to speculate, however, there is an airline stock out there that's sound enough for your portfolio.

Consider cargo airline stock **Cargojet** ([TSX:CJT](#)). The airline is not only resilient in the face of this unprecedented socio-economic crisis, but it's also in a spot to thrive, as demand for its overnight shipping services is likely to remain stable amid this pandemic.

### An airline stock that actually hit all-time highs amid the pandemic

Shares of Cargojet recently hit new all-time highs just north of the \$140 mark, after nearly doubling off March bottoms. In a prior piece, I'd urged investors to load up on the stock, noting that the company was in a position to bounce back, given "the demand for overnight shipping will remain stable," regardless of what ends up happening next with the coronavirus pandemic.

"Although the name is pretty expensive at 68 times next year's expected earnings, I'd argue it's far

better to pay up for a resilient name that isn't dependent on the outcome of an exogenous event for its survival. Cargojet is riding on a secular e-commerce tailwind and will continue to fly high, as its commercial peers grind to a halt." I wrote in a [prior piece](#).

## What about valuation?

Today, Cargojet stock is back to being expensive, with shares around 10% higher than they were back in early February. The stock trades at 3.7 times sales and 7.6 times book, both of which are higher than the stock's five-year historical average multiples of 1.9 and 6.4, respectively. Clearly, investors have recognized and appreciated Cargojet's resilience in these unprecedented times, such that the stock commands a considerable premium relative to its historical averages.

Whether or not Cargojet deserves to trade at these heights remains to be seen. Should a vaccine land, COVID-19-resilient plays like Cargojet will be out in favour of the names at ground zero of the COVID-19 crisis. As a result, such a scenario could result in a sudden pullback in the pricey shares of CJT.

That said, I suspect such a pullback to be somewhat mild in nature, given the stock isn't as expensive as some of the other COVID-19-resilient stocks out there.

As such, Cargojet seems like a prudent investment, and its premium price tag is more than well-earned compared to the likes of a speculative passenger airline like Air Canada.

### CATEGORY

1. Coronavirus
2. Investing
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### TICKERS GLOBAL

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

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