# Forget Air Canada (TSX:AC): Here's a Better Way to Bet on an Air Travel Rebound

### Description

Operating expenses involved with running an airline such as **Air Canada** (TSX:AC) are exorbitant. During a recession like the one we're going to find ourselves in, airlines can be uneconomical to run. With a pandemic thrown into the equation, they look like insolvencies just waiting to happen.



That's a huge reason why many big-league airlines went belly up over the decades despite the rise in passengers. In the age of coronavirus, airlines will be fighting for their lives before their liquidity reserves run dry. In a way, they're in the race to find a vaccine — and many of them will fail to cross the finish line.

## Too many uncertainties for risk-averse investors to justify an investment in Air Canada

With government-mandated travel restrictions that could intermittently be in effect for the duration of this pandemic, it's tough to tell whether the rate of cash bleed will get any better.

Air Canada may have done a stellar job of reducing capacity, lowering its cash burn, and raising enough liquidity to improve its chances of surviving the coronavirus onslaught, but ultimately, the firm's fate relies primarily on exogenous factors.

Fortunately, there's a better way to bet on an air travel rebound that won't require you to risk your shirt by placing bets across the roulette table on names that you think won't go bankrupt before the coronavirus is eradicated.

Consider shares of **CAE** (TSX:CAE)(NYSE:CAE), a Canadian developer of simulation technologies, which include flight simulators, among other training solutions for airline and defence clients.

## An airline bet without having to bet on the airlines

Shares of CAE have been clobbered alongside airline stocks amid the coronavirus crisis. Unlike the airline stocks themselves, though, CAE isn't in a spot to go under should the pandemic drag on longer than expected.

CAE sports a solid liquidity position (around $2.1 billion in liquidity and a 1.17 current ratio) that's less likely to dry up anytime soon. Moreover, CAE has a defence and health businesses that can help mitigate a considerable amount of the risk brought forth by the weakness in commercial aviation.

Although CAE has its fair share of debt ($2.6 billion worth of total debt as of Q3 2020), the balance sheet remains in a somewhat healthy condition. So, the company doesn't look to be at risk of insolvency, even in a worst-case scenario with this pandemic, like many airline stocks out there.

At the time of writing, CAE stock trades at 3.1 times book, 2.1 times sales, and 11.7 times EV/EBITDA. The stock may not be as cheap as the airlines themselves, but given that CAE is a "safer" way to play the resurgence of the air travel industry, I'd look to nibble into a position today if you're looking for a better risk/reward than the likes of an Air Canada.



## Foolish takeaway

Whether the air travel recovery takes months, years, or decades to return to pre-pandemic heights, CAE will be around long enough to benefit from the bounce back. The same can't be said for some of the less-liquid airlines out there.

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**Date**
2025/08/18
**Date Created**
2020/06/14
**Author**
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