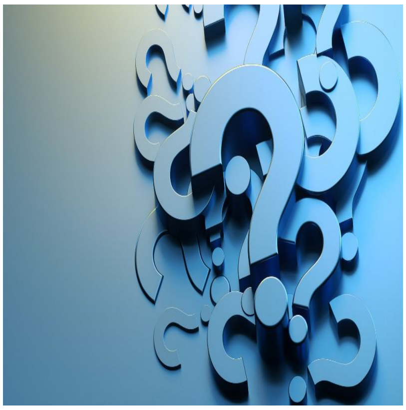

What Airline Stocks Should You Buy?

Description

There is no industry that has been as battered as much as airline stocks have in recent months. I realize that the idea of hundreds of passengers locked in a metal tube being flung through the sky in recycled air seems less than ideal at the moment. That said, there is a case for investing in airline stocks at the moment.

Let's take a look at two options to consider.

Is Air Canada still an airline stock to buy?

Air Canada (TSX:AC) is the largest airline in Canada. Until the time of the COVID-19 pandemic, Air Canada *was* one of the best-performing investments of the past decade. Currently, Air Canada is down over 60% year to date. Ouch.

Most investors know that prior performance isn't indicative of *future* potential. What is worth reminding investors is the inverse also holds true. Future potential can't always be assumed based off *current* performance (or lack thereof). To put it another way, Air Canada's stock price plummeted because the market has all but evaporated (albeit artificially).

But does that make Air Canada a good investment right *now*? Not really. The company released results for the first fiscal of 2020 last month. While not entirely unexpected, the results were dismal. Air Canada reported EBITDA of $71 million for the quarter.

By comparison, in the same period last year, Air Canada posted $583 million. Overall the company reported an operating loss of $433 million in the quarter.

To put that into perspective, this was the first quarterly update that did not report year-over-year revenue growth in 27 quarters. Finally, with capacity reductions of up to 90% in place for the current quarter, there could be further losses in store for the subsequent quarters.

Where does this leave investors? Potential would-be investors should bypass Air Canada altogether, and opt for a different airline stock.

Who knew that cargo was so profitable?

Unlike Air Canada, **Cargojet** (TSX:CJT) has seen tremendous growth during the pandemic. A key point here is that Cargojet doesn't transport passengers, but cargo. That business has swelled during the pandemic, as demand for cargo shipments surged while international air routes disappeared.

Adding to that volume was a surge in demand to purchase necessities online. To be fair, Cargojet already has a lucrative deal with an e-commerce behemoth, so this recent spike in demand only fuelled further growth. This is a unique advantage that Cargojet holds over traditional passenger airline stocks like Air Canada.

In clear contrast to Air Canada's performance, Cargojet's stock has soared. Year to date, the company is up over 54%. In terms of results, Cargojet announced results for the first fiscal of 2020 last month. In that quarter, Cargojet saw revenue surge over 11% to $123 million, while adjusted EBITDA came in at $40.2 million reflecting a 24.5% improvement.

One final point to note is that Cargojet offers investors a dividend. The quarterly payout currently amounts to a paltry yield of 0.96%, which shouldn't entice income-seeking investors.

The dividend is however secure, growing, and something that other airline stocks such as Air Canada don't offer.

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dafxentiou