Air Canada Stock Investors: Where to Move Your Money

Description

Air Canada (TSX:AC) investors are taking a high-risk, high-reward bet. At the start of the year, shares were priced at $50. Now, they're below $20.

Where this airline stock will go is anybody's guess. Uncertainty is higher than ever. Even airline executives are bracing for the worst.

"Realistically, we expect it to take at least three years for Air Canada to get back to 2019 levels of revenue and capacity," says CEO Calin Rovinescu. But he added, "Some of the manufacturers have come out and an estimated three to five years. **Boeing** and **Airbus**, I think both have estimates in that range."

The company cut capacity by 90% last quarter. Every airline CEO has admitted to losing millions of dollars on a *daily* basis.

Hopes for a recovery have been dashed by several new COVID-19 outbreaks around the world, particularly in the U.S. A second wave this winter could seal the deal for their financial fates. Already, several major global carriers have gone bankrupt. More bankruptcies will come.

I get it. There's a temptation to buy low here. Before the crash, Air Canada stock exploded in value by 5,000% over eight years. Current investors are hoping for a repeat performance once the dust settles. But if you ask any airline CEO, you'll get an honest answer: these challenges aren't going away anytime soon.

Delta Air Lines's CEO recently told *CNN* that the airline industry will need to learn how to be "permanently smaller."

It's time to ditch airline stocks that shuttle passengers. Instead, buy an airline that has seen revenues *grow* since the pandemic began. I'm talking about a Canadian juggernaut: **Cargojet** (TSX:CJT).

Pick Cargojet over Air Canada

Since the year began, AC stock has lost two-thirds of its value. CJT stock, for comparison, *rose* by 55%. What's the difference? It's all about what they carry.

Cargojet doesn't carry people; it carries packages. It has the largest, most reliable high-speed delivery network in Canada. If you get one-day or two-day shipping, odds are that it came via a Cargojet plane.

Fast shipping is increasingly the norm for online retailers. **Amazon** normalized quick turnaround times with its two-day shipping guarantee for Prime members.

If you want to ship fast in Canada, you go with Cargojet. It should be no surprise, then, to learn that Amazon purchased 9.9% of Cargojet's shares last year, with options to buy even more.

Passenger airline traffic will be impaired for years. And that's a best case scenario. If you're holding airline stocks like Air Canada, don't anticipate a quick turnaround. If another wave hits, you could eventually lose everything. No business can sustain daily multi-million dollar losses forever.

Cargojet, meanwhile, is seeing a surge of demand. Digital retail penetration in Canada still lags the U.S., so the company has multiple tailwinds of growth behind it. Its partnership with Amazon only proves how valuable this company is for online sales.

Over the next several years, Cargojet stocks should handily outperform the passenger airline industry, including former icons like Air Canada.

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