Don't Buy Boeing Stock: This Company Has Way More Upside

Description

Investors are piling into **Boeing Co** (NYSE:BA) stock. It's not hard to figure out why.

From 2009 to 2019, BA shares rose *10 times* in value. The coronavirus pandemic, however, turned things upside-down. Year to date, shares are down 50%, versus a 5% decline for the **S&P/TSX Composite Index** overall.

Investors are betting that once the pandemic passes, Boeing stock will return to business as usual. That means shares could eventually double in value, back towards their previous highs.

But if you want to play the rebound, don't go with a company like Boeing. As we'll see, there's simply too much uncertainty here.

There is one airline, however, that should perform well regardless of where the coronavirus pandemic heads.

Everything is uncertain

"Everything is uncertain, perhaps to a unique degree," says Jeremy Grantham, head of GMO Asset Management. This is particularly true for the airline industry. Despite optimism a few weeks ago, the market is now preparing for an elongated recovery.

On Wednesday, we learned that Boeing generated a $2.4 billion *loss* during the second quarter. Plane deliveries dropped by more than 70%.

"The reality is the pandemic's impact on the aviation sector continues to be severe," warned CEO Dave Calhoun. "This pressure on our commercial customers means they are delaying jet purchases, slowing deliveries, deferring elective maintenance, retiring older aircraft and reducing spend — all of which affects our business and, ultimately, our bottom line."

The most concerning news surrounded Boeing's estimates for a recovery. The company doesn't think commercial air travel will normalize for another three years. New aircraft orders, meanwhile, won't tick up for nearly five years.

Despite the drop in stock prices, stay far away from traditional commercial airlines. Stay further away from businesses that rely on those companies for demand. That includes Boeing.

Ditch Boeing for this stock

If you're looking to buy an airline stock, stick with **Cargojet Inc** (TSX:CJT).

You've never flown with Cargojet, and you never will. That's because the company doesn't transport passengers. Instead, it's solely focused on packages, specifically items that need to be moved across Canada at great speed.

Right now, Cargojet is the largest provider of overnight delivery in Canada. It nearly has a stranglehold on the market. With online retail sales soaring as a result of the COVID-19 crisis, the company is well positioned to grow. That's in direct contrast with traditional airline stocks like Boeing.

The strength of this company is immediately apparent in its stock price. Since 2020 began, shares are up nearly by 60%!

Just don't think this story is over. Canadians continue to buy online at lower rates than other major countries. Additionally, rapid delivery is becoming the expectation of online shoppers everywhere. Cargojet is perfectly positioned to benefit from these multi-year trends.

Over the next few years, Cargojet will almost certainly grow in size. Boeing, meanwhile, will simply be hoping to return to baseline.

Don't get stuck in the value trap that is conventional airline stocks. You'll need to pay a higher multiple to acquire Cargojet stock, but the growth prospects are significantly brighter.

CATEGORY

1. Coronavirus
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2. TSX:CJT (Cargojet Inc.)

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