



Forget Air Canada (TSX:AC): This Airline Stock Soared 120% Since March!

Description

Commercial airline stocks are in the doghouse, with their exorbitant cash burn rates and weakening financial footing that will only worsen the longer the COVID-19 pandemic drags on.

Warren Buffett clearly isn't a fan of U.S. commercial air travel companies in the era of the coronavirus. While Buffett may be proven wrong for selling them at a loss during the worst of the coronavirus sell-off, one thing is certain about the airline stocks at this juncture: they're far too speculative given the wide range of possible outcomes with this pandemic.

As such, it doesn't matter how profound the upside could be for the airlines on the advent of an effective vaccine. If there's a chance that a stock could implode to zero in a bear-case scenario, the stakes are far too high to consider it as a sound investment rather than a speculation.

Enter Cargojet: An airline stock that's riding high on pandemic tailwinds

Not all airline stocks are duds, however. Cargo-carrying airlines like **Cargojet** ([TSX:CJT](#)) have been surging to new heights amid the pandemic thanks in part to increased demand for overnight shipping services. The pandemic is the perfect storm of headwinds that threatens the future of airlines that transport people. However, for the airlines that are in the business of transporting goods, the pandemic is a huge tailwind.

Cargojet is now up a whopping 120% from its March bottom, a time that I urged investors to get greedy with the stock, having initially sold off alongside almost everything else in the February-March stock market crash.

"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](#), touting Cargojet as a better buy than **Air Canada**

([TSX:AC](#)).

While Air Canada may have more upside than Cargojet in a bull-case scenario that sees the timely arrival of a COVID-19 vaccine, you'd still need to get lucky to make money on the name. That means Air Canada is a speculation, whereas Cargojet is an investment that will likely continue flying higher amid this pandemic.

Best of all, you don't need to risk your shirt to make money given the company continues to ride high on pandemic tailwinds while benefiting from the e-commerce secular story.

You get what you pay for!

At the time of writing, Cargojet stock trades at 5.2 times sales and 9.5 times book. The cargo airline stock is not cheap by any stretch of the imagination. But given the company has strong pandemic tailwinds at its back and a huge moat around its ability to make economic profits over time, I'd say the premium price of admission is well worth paying, especially if you seek a pandemic hedge.

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