



## Air Canada (TSX:AC) or Cargojet (TSX:CJT): Which Stock Has a Higher Chance to Double Your \$1,000?

### Description

**Air Canada** ([TSX:AC](#)) is attracting a lot of eyeballs, as its stock is selling at a huge bargain. Meanwhile, a slight rebound in demand due to the resumption of domestic operations rekindles hopes of recovery. However, high debt, mounting operating losses, low demand, and increasing infections continue to remain significant hurdles in its path to recovery.

Conversely, cargo airline company **Cargojet** ([TSX:CJT](#)) is witnessing a surge in demand. Cargojet stock has generated exceptional returns this year, rising about 77%. Also, it offers a quarterly dividend of \$0.23.

So, which stock offers a better chance to double your \$1,000 investment first? If I look at its history, Cargojet has performed pretty well over the past several years. It has generated returns of nearly 750% in five years. Air Canada, however, has recovered from the brink of collapse and risen to \$50 in the past. But Air Canada stock has been highly volatile and a risky bet.

I am not saying that Air Canada stock will not rebound. In fact, with a nearly 67% year-to-date decline in its stock, Air Canada presents one of those rare opportunities for investors to [earn big from its recovery](#). However, Air Canada could take at least two to three years to reach pre-pandemic levels. It could take even longer if the coronavirus outbreak is not contained soon.

As for Cargojet, its stock could continue to scale new highs on sustained demand and could double your investment faster than Air Canada stock. Let's take a closer look at Cargojet to know why it has a better chance of doubling your \$1,000.

### Solid fundamentals with a sustained demand

Cargojet's debt, balance sheet, liquidity, and cash flows all are in better shape than Air Canada's. Moreover, Cargojet is generating robust revenues and EBITDAR margins. In contrast, revenue growth and margins are not the right metrics for Air Canada currently.

In the [most recent quarter](#), Cargojet's revenues soared about 65% year over year. Meanwhile, its gross and adjusted EBITDAR margins expanded drastically. Cargojet, as Canada's number one cargo airline company, is gaining from the surge in demand for international air cargo. Closure of international borders for passenger airline companies due to travel restrictions is driving demand for its charter services.

Strong revenues and margins drove the company's adjusted free cash flows significantly higher, allowing it to reduce debt and invest in growth opportunities.

Cargojet's high customer retention rate, rising demand from health care and e-commerce businesses, network capacity, and optimization of costs should continue to support the upside in Cargojet stock. Meanwhile, its strong balance sheet and robust cash flows further support the upside in its stock.

## Bottom line

With the massive decline in its stock, Air Canada offers an exceptional opportunity to buy its stock low and gain big from its recovery. However, it's uncertain at what pace the recovery might come. Meanwhile, the bull run in Cargojet stock could sustain in 2020 and beyond, and it could double your investment sooner than Air Canada.

### CATEGORY

1. Coronavirus
2. Investing

### TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:CJT (Cargojet Inc.)

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### Date

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2025/08/26

**Date Created**

2020/08/18

**Author**

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