Air Canada (TSX:AC) Stock: How to Triple Your Money

Description

Air Canada (TSX:AC) is a proven long-term winner. In 2012, the stock was under $1. By 2019, it surpassed $50. Patient investors made *50 times* their original investment.

Of course, all of this was before the pandemic hit. As an airline, Air Canada was crushed. Business and leisure travel plummeted, and on most metrics, haven't returned.

Now priced at $16, shares could triple if conditions improve. But if you want to triple your money, *don't* buy Air Canada stock.

Don't buy this stock

Everyone is betting on airlines these days. They're betting these stocks will either skyrocket in value or go completely bankrupt. There really aren't many futures in between.

The reason is simple: these are highly-leveraged, fixed-cost businesses that can't burn money forever.

Last quarter, Air Canada lost more than $1 billion. The quarter before that, it also lost more than $1 billion. This business is a black hole for money right now, and it's not hard to see why. Passenger traffic is down by 96%.

The problem is that things won't get better any time soon. Polls show that 85% of Canadians want to keep travel restrictions in place. Plus, we're still at least 12 months away from a fully distributed vaccine. In reality, it could still be years. Meanwhile, Air Canada only has nine quarters of liquidity left.

The funny thing is that part of Air Canada is actually *growing*. It's a small segment, so it won't bail out the company, but this startling data point can help you figure out how to profit elsewhere.

Ditch Air Canada for this

Airline traffic is plummeting, but it's primarily caused by declining passenger volumes. Cargo traffic, however, is *increasing*. It turned out that the pandemic is moving a ton of physical retail sales over to digital. Consumers are shopping online more than ever.

“Add Air Canada and **IAG Group**, parent of British Airways, to the list of passenger airlines that significantly increased cargo revenues in the second quarter even as the coronavirus crisis otherwise destroyed the industry’s finances,” reports *FreightWaves*.

But remember: cargo only constitutes a tiny fraction of revenue for passenger airline stocks. If you want to capitalize, buy **Cargojet** (TSX:CJT).

Cargojet flies under the radar in the investing community because it only ships cargo. It is the largest overnight cargo carrier in Canada, with a stranglehold on the market.

If you want to ship packages fast in Canada, you need to go through Cargojet. Online retailers know this. That’s why **Amazon** bought nearly 10% of the company’s stock last year. It can’t afford not to have a seat at the table.

The best part about this bet is that you’re insulated from another coronavirus surge. Health risks occur when passengers are present, but packages can always be shipped safely. Air Canada can never ensure complete safety for its customers. Cargojet’s customers — mainly boxes — can’t even get sick.

Cargojet is in a position of power, and its profits should grow every year through 2030. Airline stocks like Air Canada, meanwhile, could go bankrupt by the end of 2021, if not sooner. The choice is clear.

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Date
2025/07/03
Date Created

2020/08/26
Author
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