



Forget Air Canada (TSX:AC)! This Little-Known Airline Stock Surged 34.6%

Description

The business reversal of **Air Canada** ([TSX:AC](#)) in 2020 was a crushing blow to the country's airline and tourism industries. Employees are likewise dealing with job uncertainties ever since the coronavirus outbreak in March. However, a little-known airline stock is emerging as [a better buy](#) in the fourth quarter.

Aviation holding company **Chorus Aviation** ([TSX:CHR](#)) was also severely hit by border closures and travel bans. On October 23, 2020, the rumour mill was buzzing with news of takeover interest. Suddenly, the stock attracted attention and surged 34.6% before closing at \$3.18 per share.

After the company confirmed receiving a non-binding acquisition proposal, should investors [forget Air Canada](#) and focus on Chorus Aviation?

Compounding problems

As if the consecutive billion-dollar quarterly losses aren't enough, Air Canada's problems are compounding, not lessening. The country's flag carrier faces potential class-action lawsuits in the U.S. over management's refusal to refund tickets for flights cancelled due to coronavirus.

Plaintiffs from California and New York are seeking class certification from federal district courts to sue Air Canada. U.S. customers are complaining the airline company keeps offering vouchers for future travel instead of paying refunds outright.

The lawsuits cite breach of contract and unfair practices by Air Canada. It alleges that there was an alteration of the refund policy after COVID-19 struck. However, the class-action lawsuit can't proceed unless a judge agrees to certify a class of plaintiffs. If awarded, the damages will compel Air Canada to pay all U.S. clients seeking a refund for flight cancellations.

According to Air Canada, none of the allegations in the lawsuits has been proven in court. The number of customer complaints with the U.S. Department of Transportation is 3,759, covering between January and July.

Positive development

COVID-19 is also beating Chorus Aviation to a pulp. Its CEO, Joe Randell, said the company let go of about 65% of the total workforce since the onset of the pandemic. There was also a 45% collapse, year over year, in revenue in Q2 2020.

Besides operating scheduled passenger service on behalf of Air Canada, Chorus also provides charter services and specialized contract flying, such as humanitarian, logistical, and medical flights. Currently, its market capitalization is \$474.27 million.

Regarding the takeover interest, Chorus said the acquisition proposal by a third party is subject to several significant conditions. The company did not name the prospective buyer or suitor. Despite the advance, nothing is definite if it would result in a transaction.

Like Air Canada, Chorus Aviation is hoping the federal and provincial governments will consider implementing a science-based approach to ease travel restrictions. Mr. Randell believes it will enable businesses and economies to restart and succeed within the new normal.

Both in limbo

Air Canada and Chorus Aviation are on an even keel if you look at the stocks' dismal performance thus far in 2020. The former is losing by 69.64% year to date, while the latter is down 62.93%.

In September, market analysts listed Chorus as one of the best-valued airline stocks and the company with the least profit decline. The airline companies, however, have one thing in common. Both are still in limbo, and no one knows for how long.

CATEGORY

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2. TSX:CHR (Chorus Aviation Inc.)

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