Don’t Buy Air Canada Stock (TSX:AC), Buy This Instead!

Description

Air Canada (TSX:AC) stock soared recently with news of a potential vaccine available in the coming months. The new vaccine could be 90% effective, which would mean companies like Air Canada could see a dramatic rise in the industry.

Airlines in general shot up at the potential for new business in the coming months. However, it’s not going to be an overnight fix. While Air Canada stock might rise, the company still has a long way to go. If you’re patient, great! But there could be other options.

A long flight path ahead

Air Canada took on a ton of debt before the crash. While the company continued to grow at a rapid rate, it also continued to take on debt in hopes of expanding. It wasn’t just Air Canada,however; every airline was doing it. The increase in demand for air travel meant the company could only do what it could to keep up! And it reinvested in the best way it could.

There were a few ways Air Canada did this. It invested in a new fleet of fuel-efficient airplanes to bring the price of gas to a minimum. It’s reinvigorated its flight paths to keep costs lower. It also bought back its Aeroplan program to bring in even more cash. So the money is there, but it was going to be a while before it brought down debt.

Then, the pandemic happened and debt soared by $3 billion to a total debt load of $10 billion as of writing. While that debt could be cut back to the previous $7 billion by a government bailout, that’s a best case scenario. It will likely be a long time before Air Canada sees a significant decrease in debt load, and a significant increase in air travel by its patrons once again.

Instead? Air *cargo*

Instead of human cargo, it’s a safe bet that regular cargo will continue to be in demand for years and decades to come. The rise in e-commerce from the pandemic put e-commerce demand ahead of its already blossoming schedule. With a new vaccine, it's likely that restrictions on cargo will continue to decrease, and more can be shipped out faster. So any industry dealing with the shipment of cargo would go sky high.

This is the case for a company like **Cargojet Inc.** (TSX:CJT). Cargojet recently saw its share price soar once again with its recent earnings report. The company saw year-over-year revenue increases of 29.5%, with EBITDA also jumping up by 32.8%. Management doesn't see this slowing down, as the company continues to see e-commerce on the rise.

It's more likely Cargojet will continue to make partnerships with large e-commerce businesses that will see its share price sky rocket for years, if not decades.

Bottom line

Air Canada will continue to be a strong company in the future. It'll just take a while to get there. However, if you want returns now and in the future, you definitely want to go with a company like Cargojet. Either way, these are both buy and hold long-term stocks.

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