



Wow! Will Air Canada (TSX:AC) Really Buy Drone Delivery Canada (TSXV:FLT)?

Description

This week we got some interesting news: **Air Canada** ([TSX:AC](#)) is looking to get into the drone delivery business. This space is very early stage, but growth this decade could be enormous.

“Airlines could soon be operating unmanned drones in addition to aircraft flown by pilots, or serve as a logistics intermediary between shippers and third-party carriers,” [reported](#) *American Shipper*. “Air Canada is leveraging its knowledge moving cargo to support drone deliveries and expand business in the fertile e-commerce sector.”

Once you learn more, you’ll realize that there’s another TSX stock ready to soar from this news. Few are paying attention to this opportunity, but you should.

Get ready for drone delivery

Drone Delivery Canada ([TSXV:FLT](#)) has been pitching the public on the benefits of drone delivery for years.

“This disruptive technology enables communities and businesses with access to new markets, reduced lead times and costs, quickly becoming a vital tool to advance their delivery models and improve efficiency,” the company argued.

I’ve broken down the benefits before, and the claims seem to make sense, especially for a country like Canada.

“Roughly 118,000 Canadians live in remote areas of Canada,” I [wrote](#) in March. “These people are extremely isolated from any traditional transportation infrastructure. Reaching them can take days — not to mention a boatload of money.”

Right now, many of these transport needs are serviced via plane. That’s expensive and slow. Transitioning to drone delivery could take weeks off shipping times. It would also be much cheaper. Suddenly, citizens throughout Canada, even those not on the road system, could order goods online,

with cheap delivery in just a few days.

The big money, however, will be on the business-to-business side.

“These people aren’t alone,” I added. “In Northern Canada, there are also mines, oil and gas operations, hospitals, and other facilities that can have an urgent demand for goods. Blood shortages can put lives at risk, while a broken part could halt a multi-million-dollar commodity operation.”

In this segment of the market, delivery fees could go from a few dozen to a few *thousand* dollars. That starts to add up.

Will Air Canada make moves?

In total, the drone delivery industry in Canada could be worth nearly \$1 billion long term. With a market cap of just \$4.8 billion, it’s no wonder Air Canada wants to get involved. The rush is particularly important considering traditional airline demand is down a whopping 95% year over year due to the COVID-19 pandemic.

For a long time, drone delivery was poised to meet the demands of rural residents and off-grid mining projects. The coronavirus changed that perception. Contactless delivery is more valued than ever, reshaping the total addressable market.

There’s only one problem: Air Canada can’t afford it.

Last quarter, it lost more than \$1 billion. The quarter before, it also lost more than \$1 billion. This upcoming quarter, another huge loss is expected.

The clock is ticking for every airline. Drone delivery might be the next big thing, but Air Canada is in no position to spend millions on a long-term bet.

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