



Forget Air Canada (TSX:AC) Stock: Here's 1 Better TSX Stock for a Turnaround

Description

Some investors are paying close attention to **Air Canada** ([TSX:AC](#)) stock as they look for a strong turnaround play from the pandemic market crash. However, here's a related stock that could be a better buy: **Chorus Aviation** ([TSX:CHR](#)). At least Chorus is in a stronger financial position.

Air Canada's long-term debt-to-capital ratio is approximately 81%. Its debt-to-equity ratio is about 29.4 times, while its debt-to-asset ratio is about 97%. Its return on assets in the last quarter was -10.5%, while its return on equity was -398%.

In comparison, Chorus Aviation's long-term debt-to-capital ratio is approximately 70%. Its debt-to-equity ratio is about 4.4 times. And its debt-to-asset ratio is about 82%. Its return on assets in the last quarter was 0.2%, while its return on equity was -24.6%.

Air Canada's last 12-month (LTM) revenue fell more than 84% year over year to \$2,840 million, while its EBITDA was -\$3,721 million.

In comparison, Chorus Aviation's LTM revenue dropped more than 41% year over year to \$801 million, while its EBITDA was \$281 million.

Air Canada: What does a normalized business look like?

Here's a snippet of Air Canada's business in 2019. Let's consider what its normalized business would look like post-pandemic, assuming air travel eventually returns to normal.

The company's 2019 revenue was north of \$19 billion. It also reported an EBITDA of north of \$2.7 billion.

Chorus Aviation: What does a normalized business look like?

Chorus Aviation provides integrated regional aviation services, including aircraft leasing and support

services.

Here's a snippet of Chorus Aviation's business in 2019 as we consider what a normalized business would look like post-pandemic.

The company's 2019 revenue was \$1.37 billion. Over 90% of sales came from regional aviation services and the remainder from regional aircraft leasing.

The regional aviation services segment includes contract flying and maintenance, repair, and overhaul services (e.g., part sales and technical services).

Its 2019 net income was \$133 million, while its EBITDA was \$370 million.

What is Air Canada stock worth?

Currently, analysts think [Air Canada stock](#) can trade from \$12-35 over the next 12 months. The consensus target of \$28.03 indicates 5% near-term upside. A normalization could lead to the stock appreciating to \$40 over the longer term.

What is Chorus Aviation stock worth?

A normalization would indicate a fair value estimate of about \$6 per share on the stock. This is within analysts' current price target range of \$4.85-\$6.50 per share on Chorus Aviation stock. The 12-month consensus target of \$5.44 indicates 11% near-term upside. However, that target will likely be increased as economic normalization occurs.

Remember that Chorus Aviation also used to pay a dividend. A return to normalization could lead to a reinstated dividend by 2022, which will also boost returns.

The Foolish takeaway

Both Air Canada and [Chorus Aviation](#) are in the airline industry. However, Chorus's business has been more defensive through the pandemic. Moreover, it has lower downside risk than Air Canada stock and could restore a dividend soon. Chorus Aviation stock could very well be a better turnaround play. Therefore, investors interested in AC stock should also consider Chorus Aviation before making their decisions.

A glimpse of Chorus Aviation's strength can be seen in the stock's appreciation of about 4.5% today versus Air Canada's stock appreciation of 2.8%.

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