



Air Canada (TSX:AC) vs. Transat (TSX:TRZ): Which 1 to Buy in July?

Description

Resilience is an important trait in a successful business. It allows a business to survive when others are failing and stay strong, even in the most adverse circumstances. But for the investors of that business, resilience is not enough. They need recovery and growth to make money off their investment, so they don't just want a business to survive; they want it to thrive.

Air Canada (TSX:AC) and **Transat AT (TSX:TRZ)** have both shown amazing resilience during the pandemic. They managed to survive the worst of the pandemic-driven market without government aid for over a year. And with the government aid, the economy experiencing organic recovery, and the number of vaccinated Canadians growing every day, investors are speculating which airline stock is poised to thrive.

But deciding which of the two recovery-fueled "[growth stocks](#)" is a better buy can become a bit challenging.

The case for Air Canada

If you had bought into [the airline](#) when it hit rock bottom during the 2020 crash, you'd have grown your holdings by over a 100%. But you might still have the option of doubling your money with Air Canada. It's trading around \$25.5 a share right now. If it manages to reach its pre-pandemic peak and cross the \$50 mark, you can experience a 100% growth. But the probability and timeline of this growth is a matter of some speculation.

So far, Air Canada stock has grown in tiers. For most of 2020, the stock hovered somewhere under the \$20-a-share mark. It spiked in early December 2020, and since then, it's hovering around \$25 per share. If it keeps following this pattern, it might be years before it reaches \$50. A few good earnings reports might expedite the recovery pace, but its full operational recovery is still a few years away, at least.

And that's beside the significant stock dilution that happened when the company was trying to raise capital in the aftermath of the pandemic. So, if you are comfortable with the prospect of a long-winded

recovery, Air Canada is worth buying in July.

The case for Transat

Transat recently shrugged off another acquisition proposal for \$5 a share. The primary reason was that at its current price of \$6.1 per share, the proposed price didn't make sense. The Air Canada acquisition of Transat burned earlier this year, thanks mainly to the European Commission's unwillingness to "bless" the deal.

The company has a relatively realistic recovery plan in place, which has stretched out prosperity till 2026. And another notion that *endorses* this long-term recovery plan is that the airline recently failed a recovery "stress" test, thanks to its gloomy second-quarter results. Before 2020, the company always saw (at least going back to 2016) a major spike in the second-quarter revenues compared to the first quarter, and it tended to be the most profitable quarter of the year (because of the summer travel).

But for the second quarter 2021, the revenues dropped to single digits (\$7.6 million). It's improbable that the stock might see a spike on its own (*not* riding on the momentum Air Canada creates for the industry) until the second quarter of 2022.

Foolish takeaway

While both airlines are expected to keep struggling for the upcoming years, and with the stocks likely not seeing any sharp uptakes, Air Canada might still be more likely to bloom [earlier than Transat](#). Even if it doesn't double your capital right away, it might take you to a 100% growth earlier than Transat might. So, for July, you might want to lean more towards Air Canada.

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