2 Stocks to Capture the Upside of Rising Travel Demand

Description

Even though new variants of COVID can be seen appearing on different points on the map, the pandemic as a whole is behind us. It has been a hollow victory with so many lives lost, and the global economy weakened, but it's a victory nevertheless.

The impact of the pandemic was not uniform for Industry. Where some industries got decimated, others thrived during and after the pandemic. Even the recovery pace for different industries hasn't been the same. Take energy as an example. The heavyweight Industry suffered a lot during the pandemic, but it *has* recovered.

Travelling, on the other hand, is expected to reach the pre-pandemic levels by mid-2022, at least in Canada.

A slow recovery

Thanks to the timely arrival of vaccines, many were expecting 2021 to be the year of full recovery for many facets of the economy, including the travel industry. But the recovery got a bit delayed, and the vacation season of 2021 didn't take off the way many were expecting it to. Some of it can be chalked off to still lingering travel restrictions and others to vaccination slowdowns.

That said, Toronto-based regional airline Porter controls a fleet of 29 aircraft and expects a rapid recovery starting September 2021; it anticipates that it will reach pre-pandemic levels by mid-2022, based on customer demands.

If travel demand really takes off, Porter won't be the only business making a lot of money.

Another regional airline

Unlike Porter, **Chorus Aviation** (TSX:CHR) is a publicly listed airline. It lost a lot of investor trust when it suspended its dividends (indefinitely) last year when the pandemic was at its peak. Investors were already exiting their airline positions, and Chorus experienced a sharp fall, quite similar in "depth" to **Air Canada**.

And Chorus is experiencing a similar, even slightly better recovery compared to the premier airline in the country. The stock is 44% down from its pre-pandemic peak, and if it's destined to reach its prime again, taking advantage of this heavy discount would be a very smart move.

The financial slump has been consistent, and the company is bringing in around the same revenue for the last three quarters, and its losses are relatively milder compared to Air Canada's. The chances of this little airline recovering with the travel demand are quite solid.

A travel stock by extension

K-Bro Linen (TSX:KBL) is not a travel stock per se, but its financials *are* experiencing a slump since the pandemic. It's an Edmonton-based Linen and Laundry company with a market capitalization of $462 million. It has been around since 1954 and processes over a quarter of a million kilograms of laundry every day. Healthcare and hospitality industries are the two primary clients the company caters to.

The stock has been on the rise for a while now and has grown over 65% in the last 12 months. It also pays dividends and is currently offering a modest yield of 2.7%.

The revenues have been slumping, although not as hard as that of pure travel stocks, but they might still experience a positive recovery once the travel demand reaches old heights and the hospitality industry starts to thrive again. And a strong financial backing has the potential to bump the share price up.

Foolish takeaway

For industries like traveling and hospitality (and for the companies in those industries), the financial repercussions of the pandemic were far beyond the market crash.

But now that the economy and these industries are on the mend, the chances that the financial recovery might trigger a powerful valuation boost as well are quite high.

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TICKERS GLOBAL

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2. TSX:KBL (K-Bro Linen Inc.)

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