Forget Air Canada: 1 Airline Stock Primed for a Breakout

Description

Air Canada (TSX:AC) has been on the minds of Motley Fool investors for a while now. However, with the COVID-19 Delta variant throwing a wrench in travel plans, shares of Air Canada stock continue to fall. In fact, it recently posted a negative breakout, falling 18% since the beginning of June.

While Air Canada stock then rose by 8% in a correction, it's still a volatile stock. It depends far too much on passenger travel. And of that, what management really seeks is business travel for long-haul flights. Even adding some cargo shipments isn't going to pick up this damaged airline.

Meanwhile, here's another airline stock investors should consider — one that has recently started consolidating; its curve is flattening away from negative territory and looking to post a positive breakout.

The original cargo shipper

If you think Air Canada stock has added a positive revenue stream through cargo, then you should be kicking yourself for ignoring **Cargojet** (TSX:CJT). Cargojet stock has positioned itself as a major winner before, during, and after the pandemic. Analysts remain incredibly bullish on the stock, even over Air Canada stock. Yet investors still aren't quite convinced.

After falling from February highs, the stock has remained fairly stable since mid-March. But lately, it's started to trend higher. While Motley Fool investors will likely have to be patient, they won't have to have as much patience as when investing in something like Air Canada stock.

As of writing, Cargojet stock trades at $182.50 per share. In the next year, analysts believe it will rise an average of 43% per share as of writing. Even on the *low* end, analysts predict a rise of 22%! If they're correct, that would give evidence that this stock is about to experience a breakout, with analysts listing it as a "strong buy" or a "buy" across the board.

Strong business, stronger growth

Cargojet stock ships out 25 million pounds of cargo each week between 15 major Canadian cities.

While this shipping model does see some stronger shipping during the holiday season, overall it manages to remain a strong operation.

As of writing, Cargojet stock enjoys 90% of Canadian overnight air cargo services. Such a market share means there is very little entry from the competition.

Furthermore, this business model has led to long-term contracts, with 75% comprising its domestic revenue. These businesses include Canada Post, Purolator, and of course **Amazon**.

Cargojet stock made a partnership with Amazon before the pandemic that has been paying off ever since. It’s since added Amazon aircraft to its fleet, with the e-commerce giant taking up a 9.9% stake in the company. That’s likely to climb to 14.9% in the near future as well. This comes from the company seeking growth in the U.S. market, adding multiple new destinations recently.

As e-commerce growth rises, it is likely to continue expanding its fleet and destinations. It plans to have expanded its fleet from 28 to 30 aircraft by the end of this year, and 33 by 2022.

And revenue continues to grow, recently up 30% year over year to $160.3 million, and adjusted EBITDA to $64.2 million, up 44%. Yet the stock remains flat! Even by Air Canada stock standards. That’s likely to change soon with earnings set for August 3, just around the corner. Estimates for 2021 are likely to see revenue climb to $690 million.

Foolish takeaway

Cargojet stock offers a far more stable airline stock compared to Air Canada stock in today’s market. The company continues to see stable revenue growth and has a number of promising growth projects underway.

Meanwhile, Motley Fool investors will continue to wait for a rebound with Air Canada stock that may not come for years.

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