Air Canada (TSX:AC) Stock Got You Worried? Consider This Alternative

Description

Air Canada (TSX:AC) stock is in a risky place right now. Its most recent quarter saw a marked improvement over the quarter before it, which suggests the company is starting to walk off the damage it took from COVID-19. At the same time, the company is currently at risk because of the rising Delta variant. The Delta variant is a new strain of COVID-19 considered more contagious than the first one. It is leading to lockdowns and other public safety measures in many parts of the world. When those policies are implemented, airlines tend to be hit hard. With lockdowns typically come 14-day self-isolation orders on arrival in a new city, which kills demand for travel.

Many public health experts are warning that a new round of lockdowns will be needed to fight Delta in the fall. If that happens, then Air Canada is likely to give up some of the gains it has made since November of 2020. It would be a rough time for AC shareholders in that scenario. But not all airlines would be affected so severely. In this article, I'll explore an alternative airline play that is much more COVID-resistant than Air Canada.

Cargojet

Cargojet (TSX:CJT) is a cargo-only airline that got through 2020 without so much as a scratch. As a cargo carrier, it transports goods rather than people. So, last year's self-isolation orders did not reduce demand for its services.

For the full year 2020, CJT released the following metrics:

- Revenue: $668 million, up 37%
- Gross profit: $250 million, up 110%
- Cash from operations: $259 million, up 97.7%

They were pretty solid numbers. Net income was negative, but mainly because of non-cash factors. Judged by its ability to produce positive cash flow, Cargojet had an incredible year in 2020. That's all the more impressive given that the company was operating during the COVID-19 pandemic. Whereas most airlines suffered because of COVID, CJT thrived. As you're about to see, that was not an accident — the pandemic itself actually improved the company's fortunes.

Why it's worth considering

One reason why CJT did so well in 2020 is because it actually gained from the COVID-19 pandemic instead of being harmed by it. The COVID-19 pandemic resulted in a surge in online shopping. Vendors on platforms like **Amazon** and **Shopify** got more business than ever, because retail stores were closed. Cargojet does much of its business handling orders for those kinds of platforms. So, it saw a sudden spike in revenue with the onset of COVID-19 safety orders.

Why does that matter now?

One word: *Delta.*

With the Delta variant making its way around the world, COVID-19 health orders may become necessary once more. Most likely, 14-day self-isolation orders will be part of the picture this time around. If they are, then passenger airlines like Air Canada are going to start bleeding cash. But cargo airlines? Hardly. Their business model does not depend on easy global travel. As long as goods are moving, companies like Cargojet will make good money. In Cargojet's specific case, it might make more money than ever before.

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