Forget Air Canada Stock (TSX:AC): Buy This Airline Instead

Description

Air demand is climbing. At least that's what the International Air Transport Association claims, with global demand climbing month after month. That being said, we're still a long way away from 2019 levels. Revenue was down 56% in August 2021 compared to 2019, and could indeed continue to stall in September. So does this make it a good time to buy **Air Canada** stock (TSX:AC?)?

The answer is a frustrating "maybe." Holiday demand is likely to climb, sure, but there has been a stall among vaccinations around the world. Until the globe has herd immunity, it's likely there will continue to be a solid list of no-fly zones, potentially limiting revenue for years.

And while Air Canada stock is likely to start climbing back up in the next year, I'd say it's still far from reaching those $50 highs we saw before the pandemic on the **TSX** today. Sure, analysts predict it to climb to $30. But give it another lockdown or global outbreak, especially with another round of vaccinations likely needed in the near future, and Motley Fool investors have themselves another drop in share price.

With that in mind, Motley Fool investors shouldn't give up on air travel altogether. There's another Canadian airline I'd choose instead.

Out with the old

Air Canada stock focuses on commercial travel, and that's the issue. This is where there are significant losses for the time being. And those losses are only piling up. Yet there's another airline that's already gone through a tumultuous situation and is now coming out the other end. And that's **Bombardier** (TSX:BBD.B).

Bombardier stock fell to below a dollar per share, something Air Canada stock went through back in 2012. Now, Bombardier stock could be going through quite a similar turnaround. This comes from doing exactly what Air Canada stock did: focusing on the money makers.

For Bombardier stock, that's its business jet line. It's sold off its train and commercial line and is now focusing on its jets. This is where the major money lies, and why it recently upgraded its Challenger 250 to a Challenger 3500. This was immediately followed by 20 orders of the jet, an order totalling US$534 million.

But Bombardier stock learned from its mistakes in the past and is being careful on the TSX today. Chief Executive Officer Eric Martel stated recently, “We’ve built backlog and I like that price is re-firming. But it’s a question of supply and demand.” A bubble may emerge in the future that could leave Bombardier stock with too many jets on its hands — something the company still can’t afford.

In with the earnings

Now, Bombardier stock is well ahead of Air Canada stock when it comes to revenue. Whereas Air Canada stock recently reported another significant loss in the second quarter, even with more bookings and net daily cash burn down 43% year over year.

Bombardier stock, on the other hand, actually raised its annual guidance for 2021. It now expects aircraft deliveries to reach about 120 units, with revenue exceeding $5.8 billion, with adjusted EBITDA greater than $575 million compared to the previously announced $500 million.

And again, this comes from the growth in its business jet line. Year-over-year revenue increased 50% to $1.5 billion for the second quarter, with a 45% increase in deliveries and demand for air travel. And this was all before the Challenger 3500 announcement and subsequent orders.

Bottom line

Air Canada stock will eventually rebound; I’m definitely not suggesting it won’t. But Bombardier stock is entering the territory that Air Canada stock was in a decade ago. Motley Fool investors may have the chance to see their shares climb 50 times as they did with Air Canada if you invest in Bombardier stock today. Meanwhile, it remains far safer, based on its new focused business jet line and solid growth method. And while shares are up 325% year to date on the TSX today, you can still pick them up for just $2 per share.

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