



Soar Above Coronavirus Fears With This Airline Stock Pick

Description

No company on the TSX has been spared from the carnage we've seen of late. **Chorus Aviation** ([TSX:CHR](#)) is no exception. This is an airline company, after all, operating in a sector that has been deemed too hot to touch by most investors out there.

Here's why I believe Chorus Aviation will likely outperform most of its peers in this sector in the coming years.

Take-or-pay contract

As most Foolish readers know, Chorus has a very lucrative "take-or-pay" contract with **Air Canada**. Chorus provides regional flights, mainly domestic Canadian flights, and must receive payment, regardless of whether the flight actually was operated and completed by Chorus.

International routes have been stalled (pardon the pun). But domestic travel within Canada remains. Therefore, Chorus is continuing to make a profit as long as these scheduled routes are not disrupted.

Input costs remain low

The oil war has crushed the price of oil and ravaged the North American oil and gas industry. The reduced price of oil and coronavirus outbreak have been a real double whammy for Canada.

However, there is a bright side! Jet fuel inputs have become dirt cheap, expanding margins in the near term for companies like Chorus. Furthermore, the economic turmoil we've seen has resulted in worries of mass unemployment — a reality that is bleak for most companies.

However, this may pave the way for better union contracts via more bargaining power for those holding jobs. After all, Chorus is a sort of bond-like proxy on the health of Air Canada, so if this turbulent short-term event results in better medium-term input costs, both Air Canada and Chorus shareholders should applaud.

Chorus is more than a regional carrier

One of the other key factors I really like about Chorus is how diversified the company has become in recent years. Chorus has grown its maintenance business. This should do well considering all of these grounded planes. Also, Chorus has a leasing/financing arm, which will likely do less well. Therefore, Chorus is diversifying its cash flows away from the unique routes the company operates.

Government intervention in the global airline sector is likely to continue for some time. This is due to airlines being viewed as an essential service to keep the global economy moving. Therefore, Chorus is a safer way to play this space, in my view.

Stay Foolish, my friends.

CATEGORY

1. Investing

POST TAG

1. airline
2. coronavirus
3. Editor's Choice
4. recession

TICKERS GLOBAL

1. TSX:CHR (Chorus Aviation Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Tags

1. airline

2. coronavirus
3. Editor's Choice
4. recession

Date

2025/07/21

Date Created

2020/04/03

Author

chrismacdonald

default watermark

default watermark