



Investors: Air Canada Is Flying High on Q3 Results

Description

Air Canada ([TSX:AC](#)) is a much-improved company over what it once was, and it continues to improve with each and every quarter. A few years ago the largest airline in the country was unrecognizable from the company it has become in almost every respect.

Air Canada reported quarterly results on November 5, and once again the results were record breaking. Let's take a look at some of the highlights and what this means for investors.

Third-quarter results

Air Canada reported revenues of \$4.05 billion, which was an improvement over the \$3.95 billion that was expected.

Adjusted net income came in at \$734 million, or \$2.50 per diluted share, compared with \$1.55 per diluted share on \$457 million in the same quarter last year. Operating margins were 20.3%, reflecting an improvement of 6.5% over the same quarter last year.

Earnings before interest, taxes, depreciation, amortization and aircraft rent increased by over 40% to \$1.08 billion, with the margin increasing to 26.7%

A major contributor to the stellar results was the significant drop in fuel prices that resulted in operational cost savings for the airline, even offsetting other factors such as the weakened Canadian dollar. This is in line with the company's strategy to reduce costs across the airline over the next few years.

How Air Canada will reduce costs and still expand

Air Canada's cost-reduction strategy is twofold.

It will keep focus on the expansion of the low-cost Rouge unit, which add capacity to the international segment. It will also continue the ongoing fleet renewal by replacing older planes with newer Boeing 787 Dreamliners, which burn significantly less fuel than the planes they are replacing. As capacity

grows and new planes enter service, this can be seen as a win-win scenario for the company.

One important factor that was echoed by CEO Calin Rovinescu was that the initiative is not taking into consideration long-term low fuel prices; rather it is assumed that fuel prices will increase in key markets.

The company is steadily adding new routes, particularly in the more lucrative international market, where the airline excels. Three weekly non-stop flights to Dubai commenced just this week using 787 Dreamliners.

Air Canada currently trades at \$11.57, below the 52-week high of \$15.09. Over the past month the stock is up 5.66%, and over the course of the full year, Air Canada is up by 24%. Long-term investors will be particularly pleased with the five-year price difference, which is an impressive 205%.

Based on the impressive quarter that Air Canada had as well as the commitment to expand into new markets, Air Canada remains a great option for investors. With analysts issuing a price target that is upwards of \$17, and savings and revenues slated to grow in the coming quarters, Air Canada remains a solid addition to any portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)

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