Air Canada Is a Great Long-Term Investment

Description

Air Canada (TSX:AC) is the biggest airline in the country, both in terms of destinations served as well as fleet size. The company is also in the midst of a massive transformation that is starting to gain significant attention in the airline industry as well as in financial results.

Let's take a look at how Air Canada is improving and why this is the airline that should be a part of your portfolio.

Air Canada's results are flying high

Air Canada currently trades at $10.16. Year-to-date the stock is down by 14.41%, and this number only marginally improves to 9.45% in the red when glancing at an entire 12-month period. Longer term, the stock shows an incredibly healthy growth of 189% over the past five years.

During the most recent quarter, Air Canada reported better-than-expected results. The company reported revenues of $4.05 billion, an improvement over the $3.95 billion that was expected. Adjusted net income was $734 million, or 2.34 per diluted share, and operating margins were 20.3%.

While the work the airline has done in turning around is to be applauded, much of these increases can be attributed to the significant drop in fuel prices, which even offset the weak Canadian dollar.

Fleet refresh and new destinations

In terms of growth, the company is taking a two-fold approach.

Firstly, Air Canada is focused on replacing older, less efficient jets with the newer **Boeing** 787 Dreamliner, which can not only fly farther than the jets it's replacing, but is also more fuel efficient. This in turn allows Air Canada to add capacity to more of the high-demand international routes, which leads to the second area of growth.

Just this past week a series of air agreements were signed between Canada and a host of countries across the Pacific that will see significant improvements to air service between the regions. On the heels of this announcement, Air Canada has already announced an increase in capacity on the new non-stop Vancouver-Brisbane route, which has not even entered service yet.

With each new plane that enters service, passenger capacity increases, the fleet becomes more efficient, and the airline can cater to new destinations that were previously unattainable. This allows the company's financial health to be based on actual growth and efficiencies rather than on the decrease in fuel prices.

In my opinion, Air Canada remains a great long-term option for investors seeking growth or those who wish to diversify their portfolios with an airline stock. The company has the right approach to expansion and is offering the routes and equipment that customers are willing to pay for.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)

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