



## Air Canada Is 1 of the Best Opportunities on the Market

### Description

**Air Canada** ([TSX:AC](#)) is a company that I absolutely love right now. Here's what sets Air Canada apart from the competition and why I think this company has earned its place in your portfolio.

#### A turnaround with a real plan of action

The Air Canada of a few years ago was completely different. The company lacked focus, was drowning in debt, had an aging fleet of planes, had problems with unions, and there was a deficit in the company pension plan.

The impetus for a turnaround was bluntly stated by CEO Calin Rovinescu: "In 2009, we had a choice: transform or disappear." That transformation included considerable cost-cutting measures, founding of the low-cost and wildly successful Rouge brand, and finally undertaking a fleet renewal in which more efficient, longer-ranged planes sporting newer configurations and features took the place of the more expensive, less efficient, older models.

Today, Air Canada's low-priced Rouge brand, which started with two aging A319s and two Boeing 767s and a handful of destinations, has expanded to 34 aircraft serving 49 destinations on five continents. Many of the routes that Rouge serves would be unprofitable on Air Canada's main network, and therein lies the brilliance of the model.

Air Canada's own fleet has also undergone an extensive refresh. The company is now the largest customer for **Boeing's** new Dreamliner 787 jet in North America and the third-largest customer for the new jet worldwide. The Dreamliner is set to replace aging Boeing 767s and can fly further, be configured to seat more passengers, and consume less fuel.

Beyond the Dreamliner, the company is also in the process of upgrading the smaller-range Airbus fleet with Boeing's 737-MAX jets; over 60 jets will enter service in 2017.

With each new plane that enters service, the capacity of the airline increases, and with passenger loads currently at impressive levels, this is leading to increased revenues for the airline.

## Air Canada is controlling costs and posting profits

In the most recent update for December, Air Canada reported an increase of 7.3% of system-wide capacity with a load factor of 81.6%. As a result of that increase, traffic ended the year up by 6%, resulting in Air Canada serving the greatest amount of customers in a single year ever—41 million.

In Air Canada's most recent quarterly report, the company realized an increase in operating income of approximately 55% over the same quarter last year to \$815 million. EBITDAR margins came in at 26.7%, an increase of 7% over the same quarter last year.

Air Canada currently trades at just under \$8. The stock is down by 21% year-to-date, much like the rest of the market. For investors seeking long-term growth, the discounted price can be seen as a massive opportunity to get a part of a great company with huge potential.

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