

## Why Warren Buffett May Be Eyeing Air Canada

### Description

With **Berkshire Hathaway Inc.**'s 2016 year-end financials set to be released this week, investors are awaiting the updated financials to view how the company's investments have performed individually and on the whole.

What investors may be looking at specifically are a number of additions and increases to holdings of four airlines: **American Airlines Group Inc.** ([NASDAQ:AAL](#)), **Delta Airlines Inc.** ([NYSE:DAL](#)), **Southwest Airlines Co.** ([NYSE:LUV](#)), and **United Continental Holdings Inc.** ([NYSE:UAL](#)).

All of these holdings increased substantially in Berkshire's portfolio, and whether Warren Buffett decides to hold these for a short period of time or follow his time-tested investing mantra of buying "forever" companies remains to be seen. Mr. Buffett obviously sees real value in these holdings, and we'll see how these investments play out over the coming quarters and years, depending on how long Berkshire determines airlines should be allocated a percentage of the portfolio.

Investors are interested in how Mr. Buffett views Canadian airlines and whether or not the Oracle of Omaha will decide to dip an investing toe into the Canadian airline pond, given the fact that he has invested in a number of large Canadian companies over the years.

### Why Air Canada?

**Air Canada** ([TSX:AC](#))([TSX:AC.B](#)) is an interesting option in the airline industry. Given the company's market share in domestic Canadian markets as well as the fact that the government of Canada has stepped in over the years to protect Air Canada's dominance of the Canadian market, Air Canada can be viewed as having a certain margin of safety, which Mr. Buffett is continually searching for in new holdings.

Air Canada's earnings have soared of late, and the company's stock is still trading at very cheap levels. Currently, the stock is trading below a four price-to-earnings (P/E) ratio and has a price-to-sales ratio of 0.24. At these levels, the stock is very attractive and ripe for the picking should the economy and industry fundamentals continue to improve.

Mr. Buffett has added substantially to his airline holdings in the three aforementioned airlines. His holdings in each company have climbed to more than \$2 billion each, meaning an investment in Air Canada is certainly not out of the question. With a current market capitalization about \$36 billion, Berkshire would be able to pick up over 5% of the company with a comparable investment should Mr. Buffett deem Air Canada worthy.

### Conclusion

With Mr. Buffett being bearish on airlines for so many years, his recent foray into the U.S. airline industry is something that took investors by surprise. Whether or not Berkshire decides to continue

moving in this direction and consider airlines such as Air Canada remains to be seen; however, I wouldn't be surprised if Air Canada's CEO is pushing to make a presentation to Berkshire's board as we speculate.

Stay Foolish, my friends.

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1. Investing

## **TICKERS GLOBAL**

1. NASDAQ:AAL (American Airlines Group Inc.)
2. NYSE:DAL (Delta Air Lines, Inc.)
3. NYSE:LUV (Southwest Airlines Co.)
4. TSX:AC (Air Canada)

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