



Air Canada: Time to Buy?

Description

Air Canada ([TSX:AC](#))(TSX:AC.B), much like most of the airline industry, is in a state of prolonged growth.

Historically, airlines have been seen as less than stellar investment options; even Warren Buffett made his displeasure of airline stocks known over a decade ago. Part of that displeasure stems from the nature of the volatile business model that airlines have adhered to, swinging from massive profits to huge losses in a single quarter, many times as a result of an external factor such as a policy change — witnessed recently in the case of Qatar — or as a result of terrorism — as witnessed following the events of 9-11.

This negative view of airlines is exasperated by the massive spending they often do during good periods with little regard to the eventual downturn in business.

While external events can't entirely be avoided, airlines have become more conservative in spending when times are good, which results in a buffer that could help when times aren't so good.

The new Air Canada

Fortunately for Air Canada, the market is in one of those good states and has been for some time. Over the past five years, Air Canada's stock has appreciated by an incredible 1,624%. Even better, investors thinking they've missed this wave will be shocked to realize that the stock is up over 80% in the past year alone. Despite this level of growth, Air Canada still has a P/E of just 6.54.

As a show of how much the company has improved, back in 2009, Air Canada's stock was below \$1, and there was little optimism for the company which was struggling on multiple fronts.

In the most recent quarter, Air Canada saw revenue soar by 8.9%, coming in at \$3.64 billion. Traffic on the airline saw an increase of 14%.

From a fleet perspective, the company has engaged in an ambitious project. Air Canada purchased 37 Boeing 787 Dreamliners and 61 Boeing 737 Max from **The Boeing Company**, and 45 CSeries jets

from **Bombardier, Inc.**, providing a refresh for long-, medium-, and short-haul destinations.

The best airline: set for further improvements

Air Canada was voted the best airline in North America this week — it won the Skytrax World Airline Award for the sixth time in the past eight years.

Speaking at the Paris Air Show, Air Canada CEO Calin Rovinescu noted that Air Canada, despite being named the best airline on the continent, has room to improve even further, particularly in the realm of customer service.

How airlines treat passengers has come under increasing scrutiny in recent months; several airlines have had confrontations between staff and passengers posted to social media platforms.

Rovinescu sees the next opportunity for growth coming from new market opportunities thanks to the CSeries jets; thanks to their advanced design and smaller configuration, they are cheaper to fly and can access a larger number of airports. The CSeries jets are set to be delivered starting in 2019.

In my opinion, Air Canada remains a great investment opportunity for those investors looking to diversify their portfolios with an airline stock that holds plenty of potential over the long term.

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