



## Are Turbulent Times Ahead for Air Canada?

### Description

Since my [initial recommendation](#) of **Air Canada** ([TSX:AC](#))(TSX:AC.B) just a few months ago, shares have soared approximately 65%. Those are some pretty ridiculous returns in a short span, but after the recent spike, shares are starting to look dangerously bubbly. Is Air Canada still a great buy today? Or could turbulent times be on the horizon?

Even after an impressive run these past few months, shares of Air Canada still trade at a minuscule 7.17 price-to-earnings multiple, which is still ridiculously cheap — too good to be true, in fact. In my previous pieces, I made it clear that the company's rock-bottom price-to-earnings multiple was not indicative of a value trap and that it was an incredible buying opportunity for investors who wanted to ride a cyclical upswing.

Normally after such an impressive rally, I'd recommend avoiding the company and say that you missed out, but in the case of Air Canada, I don't think it's too late for investors who missed out on impressive gains this year. All the easy profits have been made, but that doesn't mean there's limited upside; in fact, over the medium term, I believe you can still do very well by owning shares with a cost basis in the \$20s.

### Strong Q2 could send Air Canada to higher altitudes

In the second quarter, Air Canada reported an operating income of \$281 million — up from \$277 million during the same quarter last year. Adjusted net income came in at \$215 million, or \$0.78 per share, which was considerably higher than the \$203 million, or \$0.72 per share, delivered during the same quarter last year.

Air Canada is riding a ridiculous amount of momentum, and I don't think it's going to be stopped anytime soon. But eventually, Air Canada will come in for a landing, and that's a major reason why I'd recommend not getting too attached to your shares.

### Buy-and-hold-forever investors: beware

Airlines are ridiculously cyclical, and you could surrender all of your gains in a hurry if your intention is

to buy AC and hold it forever. That's a major reason why Warren Buffett wasn't a big fan of the airlines — that is, until they simply became too cheap to pass on.

Those who refuse to take their profits off the table will be in for a turbulent ride sometime over the next few years. But until then, Air Canada is a great medium-term trade, and if you're comfortable betting on a cyclical name on its upswing, then you better get on board Air Canada before the next flight takes off.

Stay smart. Stay hungry. Stay Foolish.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:AC (Air Canada)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Investing

## Date

2025/09/17

## Date Created

2017/08/14

## Author

joefrenette

default watermark

default watermark