



Air Canada: Time to Take Profits Off the Table

Description

Shares of **Air Canada** ([TSX:AC](#))(TSX:AC.B) soared ~154% over the past year thanks to a series of impressive quarters which saw revenue and net income soar into the atmosphere. The company's bottom line has increased for three straight years now, and it appears that nothing can stop the tremendous amount of upward momentum. It appears that the easy money has already been made, and further upside from these levels will be subject to a higher degree of risk.

There are still many long-term macroeconomic tailwinds that may propel Air Canada even higher from here, but at current levels, it may be a prudent decision to do some trimming in order to realize some profit. After all, airlines are horrible long-term investments, and I do not believe anyone should buy an airline with the intent of holding forever.

Fellow Fool contributor Chris MacDonald seems to think that Warren Buffett may be interested in initiating an investment in Air Canada, but I think Mr. Buffett may actually be closer to dumping his airline positions than buying more. Another Fool contributor, Ryan Goldsman, is bearish on Air Canada and thinks it's a great short at current levels since the best days for Canadian airlines may already be in the rear-view mirror.

It's still cheap, but not as cheap as before!

Although shares have surged over the past few years, they still look dirt cheap with a mere 7.65 price-to-earnings multiple. Although shares still appear cheap based on traditional valuation metrics, it's not unrealistic to expect a pullback after such a historic rally. Many investors may be cashing out of their medium-term trades, which is not a bad idea, especially since there's no alarm bell that goes off when the stock is near its high. Nobody knows when the next economic downturn will be, so it's usually a good idea to do some trimming while you're up.

If you don't wish to do a bit of trimming now, then you may want to consider doing at some point down the road. Just make sure you don't get too attached, because during the next recession, it's likely that your profits could be wiped out in a hurry. Sure, it seems like Air Canada can't be stopped, but sooner or later, a sub-par quarter will trigger many investors to finally dump their shares.

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