This Stock Has Doubled Since the Beginning of the Year and Could Do it Again in 2018

Description

Everyone loves a good double-up. When a stock doubles in value in fewer than 10 months, however, that's a real winner.

Canada's largest airline **Air Canada** (TSX:AC)(TSX:AC.B) has certainly become one of the biggest winners for investors chasing momentum returns, posting year-to-date returns of more than 100%, placing Air Canada among the elite companies that stock pickers wish they had piled into at the beginning of 2017. The airline has rocketed higher from a low of below $1 per share in 2012 (just five years ago) to a share price which has topped $28 in recent trading days.

Some bears have suggested Air Canada may be due for a crash landing and that this stock may not turn out to be the winner we have seen thus far in 2017. The reasons for such pessimism vary; however, what remains consistent is that despite the amazing climb of approximately 20-fold over the past five years, Air Canada has not come close to the valuation multiples of its rivals, both domestically and abroad.

Traditionally considered to be a heavily unionized figment of government bureaucracy with little in the way of innovation or competitive advantage, Air Canada has teetered on the brink of bankruptcy in the past decade as the company has sought to restructure its operations to become competitive once again in an industry with razor-thin margins, burdensome debt loads, and an ultra-competitive landscape.

Today, it appears the turnaround effort at Canada's largest airline has paid off big, with operational efficiency improvements in the company's airplane fleet and regional carrier partnerships, long-needed improvements to the airline's loyalty program, as well as changes to Air Canada's outdated IT systems resulting in earnings improvements at a pace which has outstripped competitors and left Air Canada in a very enviable position from a value perspective for investors who believe the turnaround may only just be underway for Air Canada.

Bottom line

Air Canada is one of the few companies I would suggest investors consider as a value play, even after the company’s amazing run to where it is today. On the vast majority of fundamental valuation metrics, Air Canada remains a bargain at its current share price and could easily double once again in 2018 should the airline continue to grow its earnings at a comparable rate year over year.

Investors looking to take some risk out of the equation should consider adding airline sector hedges to their portfolio or engage in a long-short strategy such as the one I highlighted in a previous article.

Stay Foolish, my friends.

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