



## Air Canada's Stock Falls 1.3% Despite Record Q3 Results: Buy Now?

### Description

**Air Canada** ([TSX:AC](#))(TSX:AC.B), Canada's largest airline company, announced record third-quarter earnings results before the market opened on Wednesday, but its stock responded by falling 1.29% in the day's trading session. Let's break down the quarterly results and the fundamentals of its stock to determine if we should consider using this weakness as a long-term buying opportunity.

### The record results

Here's a breakdown of 12 of the most notable financial statistics from Air Canada's three-month period ended on September 30, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Passenger revenues	\$4,478 million	\$4,106 million	9.1%
Cargo revenues	\$179 million	\$130 million	37.7%
Other revenues	\$223 million	\$215 million	3.7%
Total revenues	\$4,880 million	\$4,451 million	9.6%
EBITDAR (excluding special items)	\$1,388 million	\$1,248 million	11.2%
EBITDAR margin (excluding special items)	28.4%	28.0%	40 basis points
Operating income	\$1,004 million	\$896 million	12.1%
Operating margin	20.6%	20.1%	50 basis points
Adjusted net income	\$950 million	\$821 million	15.7%
Adjusted earnings per diluted share (EPS)	\$3.43	\$2.93	17.1%
Free cash flow	\$324 million	\$315 million	2.9%
Revenue passengers carried (thousands)	13,993	13,327	5.0%

### What should you do with the stock now?

It was an outstanding quarter overall for Air Canada, as it achieved record operating revenues, record operating income, record EBITDAR, record adjusted net income, record operating cash flow, and

record free cash flow.

That being said, I think the market should have reacted by sending Air Canada's stock significantly higher in Wednesday's trading session, and I think it represents a very attractive long-term investment opportunity today for one fundamental reason in particular: valuation. Air Canada's stock is up over 90% year to date, but it still trades at just 6.2 times fiscal 2017's estimated EPS of \$4.17 and a mere 5.5 times fiscal 2018's estimated EPS of \$4.77, both of which are incredibly inexpensive given its current double-digit earnings-growth rate and its estimated 19% long-term earnings-growth rate.

With all of the information provided above in mind, I think all Foolish investors should strongly consider making Air Canada a long-term core holding.

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