Why Now Might Be a Great Time to Buy Air Canada Stock

Description

Air Canada (TSX:AC)(TSX:AC.B) stock is down 10% so far this year, but the airline could be setting itself up for a good quarter, which might make it a great time to buy the stock. The company looks to take advantage of an impending strike at **WestJet Airlines Ltd.** (TSX:WJA), as union members recently voted overwhelmingly in favour of a strike, which could start right after the long weekend.

Should that happen, it's likely to result in many frustrated WestJet passengers and create a very difficult situation for the airline. Meanwhile, Air Canada said in a news release last week that it's added capacity on some transcontinental flights as it looks to entice concerned WestJet travellers to book with its airline instead.

In the release, the company stated that, "Travellers who may be concerned about the uncertainty resulting from WestJet's strike vote mandate can book Air Canada with confidence." With few options for those who might be left without a flight, Air Canada could stand to benefit from the situation, and as a result could see a very strong quarter if issues at WestJet last for a prolonged period.

Significant growth for Air Canada

Air Canada has done very well in the past year. Indeed, the company has seen air traffic numbers soar, which might give its results an even bigger boost in future. In its most recent quarter, the company continued to post solid results and announced in its Q1 earnings release that, "We generated record first quarter passenger revenue of $3.5 billion, with traffic growth of 11.4 per cent outstripping a capacity increase of 8.6 percent."

A strong economy means good business for airlines as traffic levels continue to increase. There are already some strong bullish factors working in the industry that could have made the summer months very strong for Air Canada, which could mean even more growth for the airline.

Share price has been soaring

Air Canada's stock hit all-time highs earlier this year, with the stock rising around 150% over the past two years. Although the share price has declined year-to-date, that's because many investors have likely started cashing out their impressive gains, which has driven the stock down. The company remains a good investment given the strength of conditions in the industry and its opportunistic strategy, which should give investors confidence that Air Canada will seek to maximize its potential.

Bottom line

Air Canada was already a good buy before this happened. With its stock price declining over the past few months and an injection of traffic thanks to WestJet's problems, you have a recipe for what could be a very good buying opportunity. Air Canada's stock trades at a very low three times earnings and its price-to-book ratio is around two.

The longer the problems persist at WestJet, the more opportunity Air Canada has to benefit not only now, but also in future quarters — and consumers may be hesitant to purchase their tickets with WestJet given all the uncertainty that exists today.

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
2025/08/21
Date Created
2018/05/16
Author
djagielski