



## Looking for a 6.5% Yield With Massive Upside? Check Out This Aviation Stock

### Description

The airline sector is one which that “taken flight” in recent years, with investors from around the world piling in to what is now a very crowded trade, but one that many institutional investors did not want to touch following the most recent recession, which is still fresh in the minds of many.

In Canada, most of the attention in the airline space has gone to **Air Canada** ([TSX:AC](#))(TSX:AC.B) and **WestJet Airlines Ltd.** (TSX:WJA), the country’s two largest airlines. Shares of these two airlines have been among the best performers on the TSX over the past decade due in part to the secular decline the airline industry saw following the most recent recession.

While this sector remains cyclical, and thus highly exposed to macroeconomic events, within the Canadian airline space, I continue to view airlines positively moving forward. I have commented on **Chorus Aviation Inc.** ([TSX:CHR](#)) in the [past](#) and have specifically focused on the vertical integration and regional aspect of this carrier, which have made the company’s current valuation at less than \$1 billion appeal to me.

Not much has changed in the way of fundamentals for Chorus; however, since the time of writing of my last article, shares of the Canadian regional carrier have dropped 25%, increasing Chorus’s fundamental attractiveness further. Let’s take a look at some numbers.

Perhaps most notably, Chorus’s [dividend yield](#) has increased substantially due to its recent valuation drop, with the company’s yield now hovering around 6.5%. Similarly, the company now trades at a price-to-earnings (P/E) multiple of just above six, with an enterprise value/EBITDA of just above seven — two numbers that are extremely low given the growth prospects of Chorus relative to its larger peers.

Chorus has also boasted a massive return on equity of more than 50%, putting this firm in unique company in this regard. As one of the best operators in this space, I expect Chorus to continue to outperform in the long run, making Chorus a company I will be keeping my eye on should its stock price lag further.

### Bottom line

Chorus aviation is a very specific niche play within the Canadian airline sector, providing investors with a much more focused play on regional routes. Given impending competition within this space, some of the worry about market share being eaten up by new low-cost carriers is warranted. That being said, the degree to which shares of Chorus have depreciated is, in my opinion, overstated, and should be viewed as an excellent buying opportunity for long-term-focused value investors.

Stay Foolish, my friends.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:AC (Air Canada)
2. TSX:CHR (Chorus Aviation Inc.)

## **PARTNER-FEEDS**

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