



Why One of Canada's Airlines Is Definitely Worth Owning

Description

The airline sector is one which has performed incredibly well for investors over the past 10 years. Take a look at the stock chart of Canada's largest airline, **Air Canada** ([TSX:AC](#))(TSX:AC.B), and you will notice possibly one of the best value opportunities many missed during the most recent economic recovery.

I have written about Air Canada numerous times, and due to my focus on fundamental long-term investing, the context of my analysis of Air Canada has been that this is an airline that has remained undervalued and is still considered to be a deep value stock for those interested in picking up excellent free cash flow generators at a very reasonable price.

That said, a recent piece by fellow Fool contributor Will Ashworth has pointed out another key reason for owning Air Canada: the company's impressive [growth profile](#). One of the reasons that Air Canada has remained so cheap is that the company's impressive growth rate over the past decade or so has kept pace with its stock price increase.

In other words, the company has continued to outperform, but investors have not factored in forward earnings in a similar way as that of many other stocks with sky-high valuation multiples in the tech or cannabis sectors.

Investors have continued to get a fair price (even more than fair, in my opinion) in recent years, meaning that the value argument for Air Canada remains stronger than ever, putting this company near the top of my "buy now" list for long-term value investors.

The other major Canadian airline, **WestJet Airlines Ltd.** (TSX:WJA), has also performed well, though decidedly less so than its major peer. The company has been hampered by [union-related headwinds](#) in recent quarters, and investors have begun to question the premium WestJet has garnered in the past, as the competitive advantage WestJet has had over Air Canada has largely become moot.

WestJet has seen its valuation multiple decline relative to Air Canada, with investors seemingly implementing a long-short strategy with the two companies, a strategy I have endorsed for quite some time. Indeed, investors who followed my advice on going [long Air Canada and short WestJet](#) as of

September 7 of last year would have seen a 21.5% return on Air Canada and a 24.4% return on WestJet, which are very decent returns over a one-year period.

Bottom line

I expect the valuation gap between WestJet and Air Canada to continue to narrow, with Air Canada finally getting the respect it deserves from financial markets over the long haul. For investors interested in finding value, a long-short strategy can often be one of the best ways of picking stocks in a market which, I suspect, will become much more turbulent.

Stay Foolish, my friends.

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