



Is Air Canada (TSX:AC) Still a Great Investment Option?

Description

Few investments have proven as lucrative over the past decade as airlines. In fact, despite providing a near unprecedented level of growth over the past decade, most investors have and continue to bypass airlines as viable investment opportunities.

While some of that rationale stems from the incredibly volatile market that airlines operate in, the opportunity presented, particularly in the past few years was just too hard to ignore.

In the case of **Air Canada** ([TSX:AC](#))(TSX:AC.B), the nation's largest airliner posted an incredible return of over 270% in the past five-year period. Going back a few years further reveals incredible and even more lucrative gains.

While Air Canada has so far managed to beat the market and post gains of over 65 year-to-date, there are increasing calls by critics stating that the next great cycle of the airline market is beginning and that investors should take their profits and run.

More on that airline cycle

The airline business is not unlike other business models, whereby an investment into one area of the business could yield significant results in another. The difference, at least when it comes to airlines has to do with the size of that investment and the volatility of the market itself.

Many of us don't realize how well-setup airlines are in order to run efficiently. The availability of highly trained ground and maintenance crews in both the departing and arriving airports, as well as the pilots and flight crews are of extreme importance, as is the availability of the airport slot for the plane itself. To put it another way, if any of those elements are subpar or unavailable, the flight itself does not operate and the airline could be on the hook for millions.

This is one of the reasons that airlines track loads and on-time performance, but there's also the environmental factors to take into consideration. Airlines are highly susceptible to the weather, and weather-related delays could alter hundreds of route options over the course of a single day.

Finally, there's the cost of the airplanes and fuel. With the cost of a single jet in some cases coming in at over US\$120 million and fuel [prices steadily creeping up](#) and into profits, there are plenty of reasons to believe critics that question whether the current airline market is overdue for a correction.

Why Air Canada is still a great investment

Despite those concerns, I still see Air Canada as a promising investment option, for the following few reasons.

First, Air Canada has used its prosperity over the course of the past few years to invest in profitable new routes and new jets such as the 787 Dreamliner, which is vastly more efficient over the previous generation of aircraft in almost every manner imaginable. The 787 also provides a jumbo-jet style number of passengers and range in a smaller package that helps keep landing fees and access to airports around the world more affordable.

Second, the recent announcement of Air Canada prepping a new loyalty program set to launch in 2020 was perceived positively by the market. The on and off nature of Air Canada's Aeroplan program that changed hands several times over the years was a disappointment to many, but this new program, backed up by several financial companies promises to do more.

Third, there's Air Canada's results and sales prospects looking forward. Last month, Air Canada set a record for achieving the highest number of sales in a single day ever. Specifically, bookings saw a 300% increase on Black Friday last month over what a typical day resembles.

Those positive results aren't just one-time events either. In the most recent quarter, the airline saw operating revenue register an 11% improvement over the same period last year, surpassing \$5 billion for the first time.

In short, Air Canada is still flying high, and while the level of growth may become more conservative as the market changes over the next year, over the course of the longer-term, the company remains an [outstanding holding for any portfolio](#).

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