



3 Airline Stocks That'll Have You Flying High

Description

You may have noticed lately that gas prices just aren't what they used to be. Now, while this has become a boon of the investor's existence, there is one area where an investor can actually benefit from low oil prices: the airline industry.

While jet fuel prices reached a peak back in October, those prices have since slumped in November. Analysts are saying there will be an average price of \$0.70 per litre in the fourth quarter, which should give airlines a good boost in profits to start off 2019.

But not all airlines are created equal. That being said, let's take a look at three airline stocks that could see some sky-high profits in the next year.

Air Canada

Air Canada ([TSX:AC](#))(TSX:AC.B) has completely overshadowed all other airlines in Canada. The company has grown both physically and financially in leaps and bounds, with shares growing steadily in the past five years. The company now serves nearly 50 million passengers annually, with total revenue of \$16.3 billion in 2017.

Investors have been thrilled with the last year's performance, as shares have jumped since April 2017 and continue to grow. Part of this is Air Canada's focus to expand on a global scale, mainly through its low-cost airline Rouge.

Recently, shares boosted again with the announcement that Air Canada would acquire the Aeroplan loyalty program, which will add five million new members and \$1.4 billion in added value when it's implemented Jan. 1, 2019. On top of that comes \$1.2 billion from **Toronto-Dominion Bank** and **Canadian Imperial Bank of Commerce** to have them pay to stay on with the loyalty program, and it's currently in talks with **American Express**.

The last year has really impressed both investors and analysts, with share projection reaching upwards of \$35 per share by the end of 2019. This could be even more if [oil prices](#) stay where they are.

WestJet

Where Air Canada has had a strong year, the same just cannot be said for **WestJet** (TSX:WJA). The stock has been on a pretty steady decline since the beginning of the year, with shares plummeting almost 33% from \$26.39 to \$17.78 at the time of writing.

This decline comes from the rise in fuel costs before November and an ongoing labour dispute with the pilot union that cost the company tens of millions in revenue for 2018. WestJet will also see some cash fly by the window as it continues to invest in new Boeing 787 Dreamliner aircraft.

The company aims to fight this downturn by expanding its business to a more affluent market. WestJet made its success by being the low-cost carrier, creating the airline Swoop in the process. But it has since realized that premium travelers are where the money lies, along with [increased globalization](#). With Air Canada already hitting this area hard over the past few years, it's going to take a lot for WestJet to push through and come out on top.

Delta

A strong economy has certainly helped **Delta Airlines** ([NYSE:DAL](#)) in the past year. More jobs means more money to blow, and Delta has been one of the United States carriers that has seen some strong growth because of it.

Delta seems to like the slow and steady game, with little change in the last few years and not much on the horizon. Its loyalty program SkyMiles has been bringing in funds for years, and that doesn't seem to change any time soon. Delta also has a strong base in Atlanta, commanding 60% of the market share.

While Air Canada and WestJet are expanding their fleet, Delta isn't budging much. This has put cash in the company's pocket during the high fuel surge — even more so now that jet fuel has seen a decline. Analysts predict Delta to continue its rise in revenue during Q4 results, estimating a growth of 24% to \$844.8 million in net income.

Bottom line

All three airlines are strong in the markets, but I've got to give it to Air Canada on this one. Delta is a strong and steady stock and will definitely see more growth in the future, but it just doesn't have the investment in its fleet that excites investors.

WestJet is still struggling, and until it can prove that expansion is possible, I believe the stock will remain at a decline. A dividend yield in the meantime of about 3% just won't cut it.

Air Canada has a three-fold opportunity with low jet fuel prices, the Aeroplan loyalty program, and globalization at its finger tips. The airliner doesn't have much in the way of competition, so it should see

increases for years to come.

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