# Air Canada (TX:AC): Is it Time to Invest Following Q4 Results?

## Description

Last week, **Air Canada** (TSX:AC)(TSX:AC.B) announced results for the fourth fiscal quarter of 2018, culminating in what can only be seen as an incredible year for Canada's largest airline, cementing it as one of the the best-performing stocks on the market. Let's take a look at those results and determine whether the airline still represents a viable investment option.



## Was Q4 2018 impressive or not?

Air Canada's fourth quarter can best be described as a mix of good and bad.

On one hand, Air Canada's GAAP loss of $231 million, or $0.85 per share, may raise some eyebrows among investors, particularly when compared to the same period last year, when the company earned $20 million. A massive chunk of that loss can be attributed to foreign exchange losses in the quarter, which amounted to $269 million in the most quarter and just $62 million in the same quarter last year.

On an adjusted basis, Air Canada reported net income of $54 million, or $0.20 per diluted share, closer in line with the $60 million, or $0.22 per share, reported in the same quarter last year.

One impressive area from the earnings announcement came in the form of system-passenger revenues, which saw an impressive 11.3% increase of $386 million to $3.795 billion over the same quarter last year. The improvement was largely attributed to a 7.2% growth in traffic as well as a 3.8% improvement in system yield. The yield is a key metric for airlines, representing the average fare per passenger mile.

One of the largest impacts on an airline's bottom line comes in the form of fuel costs, and in the most recent quarter Air Canada saw fuel prices surge 25%, representing a whopping 12% of expenses from the airline.

Those increases costs also weighed into Air Canada's higher cost forecasts for fiscal 2019. Transatlantic flights remain the most lucrative revenue-generating segment of the airline, particularly as competition in the domestic market continues to increase. The introduction of bill C49 — a Canadian passengers bill of rights — is also set to eat into profits in the years ahead.

Overall, the quarter could be seen as a positive one for the airline, particularly given the number of headwinds facing the industry.

## Should you buy?

Airlines have traditionally been viewed as risky investments thanks in part to their expensive and incredibly volatile business models. In fact, there are few businesses that can be impacted so heavily on a variety of events completely unrelated to the operation of the aircraft. To put it another way, everything from the political climate, job market, fuel prices, and even the weather can ultimately play a role in the success of an airline.

For those investors willing to take that risk, the rewards could be huge. In the case of Air Canada, the stock has surged over 30% in the trailing 12-month period and is up a whopping 450% over the past five years.

That being said, few would argue that the same level of growth is likely to continue, but at this point in time, Air Canada still holds some promise for long-term growth-minded investors with a tolerance for risk.



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