



## Is it Too Late to Buy Air Canada (TSX:AC) Stock?

### Description

It's been no secret. **Air Canada** ([TSX:AC](#))(TSX:AC.B) has been on a hot streak lately, flying far above what analysts believe is a fair-value price for the company.

As of writing, this stock is trading at \$39.24, with analysts believing it's worth a bit lower around \$33 per share. That could leave many investors believing they've missed an opportunity to buy up this stock. But frankly, I don't think so.

If you're looking for a short sell, then Air Canada probably isn't for you. But if you're looking for a long-term investment into the airline industry, here are some reasons why even buying Air Canada now, near all-time highs, is still a great addition to your portfolio.

### The short game

Fair-value estimates are certainly important factors to whether or not you should buy a stock. However, when it comes to Air Canada, I think it's important to look at what could be influencing this stock over the next few years.

Analysts believe this stock could either stay around where it is now, at nearly \$40 per share, or increase to \$50 per share in the next 12 months. This comes from the company's reinvestment into new aircraft that are bringing down costs. Better fuel efficiency and higher prices will help to increase their short-term and long-term margins.

The only caveat to this is the uncertainty surrounding [Boeing 737 Max 8 aircraft](#). After a number of crashes, these planes have been grounded, and Air Canada remains unsure of how this will affect its bottom line. But you can be sure it will. It already suspended its financial forecast for 2019 due to the grounding, though 2020 and 2021 remain the same.

### The long game

That new air fleet will certainly help increase share price over the long term, but it's the company's balance sheet that should have investors staying away from the "sell" button. Since 2012, Air Canada has restructured itself after years of losses. Today, it's a different company, with its most recent revenue coming in at about \$6 billion, with net income at \$463 million. Earnings per share were also strong at \$1.69.

Then there's the **Air Transat** acquisition. Air Canada has a low-cost arm, but the company is seeking to expand this area further, and Air Transat provides the perfect opportunity. This should be great news for long-term investors who are willing to reap the rewards for years to come.

And, of course, Air Canada also acquired the [Aeroplan loyalty program](#), which will allow Aeroplan members to use their points towards miles on a one-to-one basis. This should roll out some time in 2020 and could see membership increase significantly over the years.

## Historic performance

Even with a stellar year, Air Canada has come a long way in the last decade. Ten years ago, the stock was trading at \$1.40, increasing 2,700% to where it is today. If that trend continues in the next decade, we could see a share price of over \$1,000 per share.

However, it's important to note this was right after a recession, so it's probably best to be conservative about your expectations. If we go back three more years to 2006, the results change abruptly to \$17.66 per share. That would be an increase of 122%, which is still good but not stratospheric. Honestly, I believe the results of the next decade will be somewhere in the middle: beyond \$50 per share but likely not \$1,000 either.

In the meantime, this stock continues to push past all-time highs, with the stock rising more than 55% since the beginning of the year. Given all the recent announcements and plans for the future, it's not hard to see why.

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