Growth Investors: Should You Buy Air Canada (TSX:AC) Stock?

Description

After a satisfying quarter that hit all the right notes, **Air Canada** (TSX:AC)(TSX:AC.B) is looking like a solid buy for the long term, having popped over 70% this year. The stock has climbed steadily for the last seven years, consistently rewarding shareholders, and while the recent **Boeing** debacle may have weighed on other stocks (such as Boeing itself), Air Canada has come out of the episode better than unscathed.

While the case for shorting certainly exists, with everything from fuel worries to trade tensions causing concern, the fact is that Air Canada is a solid company geared towards smart acquisitions from Aeroplan to **Transat AT**. Air Canada is an expectations-beating airline growing its market share incrementally while increasing its customer base. In time, Air Canada could very well remain the leading airline in the country.

Should investors stop taxiing and get on board?

Last year's second quarter wasn't anything to write home about, with losses posted in key areas. However, the story is very different this year, with a net profit of $343 million and adjusted earnings per share of $0.88 — with the latter almost doubling last year's result and smashing analyst expectations. In short, if the stock hadn't already been on your radar, it should be now.

With value, quality, and growth locked down, the key word for this stock is actually *resilience*, since Air Canada managed to grow its revenue in all of its market segments while balancing costs amid a major aerospace controversy. Replacing its Boeing 737 MAX fleet while facing a whole slew of other market stressors that ratcheted up turbulence in the flight industry has been quite a feat and should go a long way towards reassuring investors.

A wide-moat powerhouse that can navigate with a smaller fleet

Indeed, grounding a significant section of its operating aircraft until at least January, while having to not only reassure shareholders but also maintain its economic moat, has been a little nail-biting to watch.

However, Air Canada CEO Calin Rovinescu has reassuringly pointed out that the grounding “reflects our prudent approach to scheduling, giving customers certainty when booking their fall and especially their winter holiday travel.”

In his statement on Tuesday, the CEO added, “If the aircraft are returned to service earlier, we would look for opportunities to have some enter the fleet for either replacement flying or as back-ups.” This careful approach, combined with candid statements and very solid Q2 results certainly go some way to reassuring investors that Air Canada is a suitable investment for the long haul, making it a strong choice for a long capital gains play.

The bottom line

Investors looking to stack shares of the flag-carrying airline may want to wait until after the third-quarter results are released, though, since the grounding may be reflected in the summer’s performance and could possibly give hand-sitters the dip they’re waiting for. Still, the stock is worth having at its current price, so an initial position followed by a strategic doubling down at lower prices may be an appropriate play.

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