



Investors: Are You Ready to Seize This US\$120 Billion Opportunity?

Description

One of the biggest long-term investing opportunities the average person isn't paying attention to is travel. The industry is poised to boom over the next few decades.

One of the reasons why many investors are oblivious to this opportunity is because air travel has been everywhere in North America for decades now. Flying halfway across the country in a few hours has gone from a mind-blowing experience to drudgery. It's a chore we put up with to get where we want to be.

What we North Americans forget is there are billions of people in the world who would love to go on an airplane and spend a few days in another place. They just can't afford it ... at least for now. A massive number of these folks are poised to start earning enough to become regular air travelers, leading to a worldwide boom in the airline business we haven't seen since the early days of commercial air travel.

There's one Canadian company that's poised to capture some of this rapidly growing market. Let's take a closer look.

The way to play this trend

While there's going to be plenty of growth in everything from hotels to intercontinental flights, I believe the real opportunity is in something less sexy.

Regional flights will skyrocket, as folks in the developing world can afford to travel shorter distances for pleasure and business. A combination of costs coming down and increasing incomes will make air travel the desired option, rather than current options like trains and buses that exist today.

Regional air travel might not be sexy, but I think investors who focus on it will get the best results.

At first glance, **Chorus Aviation** ([TSX:CHR](#)) might not seem like the best way to invest in this trend. Yes, the company is big in the regional aviation part of the Canadian market through its agreement with **Air Canada** to run its Air Canada Express regional flights — an agreement that was recently

extended, by the way — but there's nothing sexy about the space in North America. There's plenty of well-capitalized competitors looking to grow by any means possible, including encroaching on previously safe routes.

The good news is, Chorus is a fine operator with the regional aviation part of its business posting steady profits. It sure helps that Chorus doesn't have to worry about things like ticketing, maintaining a presence at airports, or frequent flyer miles. Air Canada takes care of all that; Chorus just has to fly the plane.

These profits are being poured back into Chorus's new airplane-leasing business — a part of the company with massive potential. Here's how it works.

Regional airlines around the world are expanding, but planes are expensive. It makes more sense for these companies to lease planes rather than purchase them outright. Chorus has started providing the financing for these planes — a loan that's usually paid off in a 10-year period. Chorus is then free to re-lease or sell the plane after the decade is up.

It works out to a pretty nice return on investment, especially since the company can easily borrow for less than 10% annually.

The business has grown by leaps and bounds in just a couple of years. Chorus now has a committed aircraft fleet of 56 planes, which are collectively worth more than US\$1 billion. Chorus's managers have done a nice job diversifying exposure all across the world, including leasing aircraft to airlines in South America, Africa, and Asia. And remember, it just scored a big commitment from Air Canada. This growth combined with other already signed commitments will increase the size of this part of the company to US\$2 billion in just a few more years.

The bottom line

If investors are looking for a way to capitalize on the regional air sector, which is predicted to have a total value of US\$120 billion by 2039, they should look no further than Chorus. It's poised to grow the leasing business for years to come.

And I almost forgot: investors are also treated to a \$0.04-per-share monthly dividend to wait — good enough for a 6.4% yield. That's a nice consolation prize.

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