



## TFSA Investors: 1 Airline Stock to Buy and 1 to Stay Away From

### Description

It's a low-growth environment for airlines in the developed world today. According to Airports Council International's latest *World Airport Traffic Report* published in September 2019, global passenger traffic grew by 4.8% in advanced economies, compared to 8.3% in emerging and developing economies.

With emerging economies poised to be the growth engine for the airline industry, it makes sense to bet on an airline stock that's making all the right moves in this space.

### Air Canada

**Air Canada** ([TSX:AC](#))(TSX:AC.B) is Canada's largest domestic and international airline serving more than 210 airports on six continents. It is among the 20 largest airlines in the world and serves more than 50 million customers each year.

The airline reported third-quarter 2019 EBITDA of \$1.472 billion compared to third-quarter 2018 EBITDA of \$1.351 billion, an increase of \$121 million or 9%. The airline reported an operating income of \$956 million in the third quarter of 2019 compared to the operating income of \$923 million in the third quarter of 2018.

The company also generated record operating revenues close to \$5.6 billion and reached liquidity of close to \$7.6 billion.

As Fool contributor [Nikhil Kumar said](#), the company has forged close partnerships with other carriers and formed two joint ventures with United Airlines and Air China. Air Canada expects to have a first-mover advantage in the growing Chinese air transport market, which is expected to become the world's largest by 2022.

The partnership with Air China is particularly critical as the air cargo market is slowing down due to geopolitical tensions and trade disputes. The ACI report found that the air cargo market only grew at 3.4% for 2018. The Air China partnership is a great counter to this.

Here's another reason to buy this airline stock. The Canada Pension Plan (CPP) Board recommends Air Canada as a long term buy-and-hold stock for investors.

## WestJet Airlines

Generally, when a company reports its second-highest ever third-quarter net earnings and the third-highest quarterly net earnings in its history, you'd expect the stock to rocket up. However, **WestJet Airlines** (TSX:WJA) has barely moved after it announced its third-quarter earnings for 2019 on October 29. The stock was at \$30.60 then and it's at \$30.61 today.

Net earnings for Q3 of 2019 came in at \$119.4 compared with \$70.1 million in 2018, a year-over-year increase of 70.4%. Over seven million passengers flew with WestJet during this period. The stock has been hovering around the \$30 levels since May 2019. That was when the company agreed to a sale to **Onex** for \$5 billion (including debt) which means WestJet will go private.

Matters took a different turn when rival Air Canada sent a letter to the Canadian Transportation Agency launching a challenge against the deal, claiming that it violated foreign-ownership rules that state an airline has to be at least 51% owned by Canadians. Onex's holding structure (it gets funds from multiple sources) makes this a complex matter. Since Onex is based in Toronto, it seems unlikely that this deal won't go through but it's best to stay away from this stock until there is more clarity.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:AC (Air Canada)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Investing

### Date

2025/08/27

### Date Created

2019/11/28

### Author

araghunath

default watermark