



Air Canada Banks on Future Growth With Big Purchase

Description

The largest airline in Canada, **Air Canada** ([TSX:AC](#)), has been an interesting investment in recent years. Since emerging from a near-bankruptcy situation following the financial crisis, Air Canada has soared in value over the past decade.

That said, this pandemic has provided some serious headwinds that have Air Canada stock down more than 50% from its peak.

Many of these same headwinds are at play, though demand has recovered significantly. That said, higher fuel prices have provided the latest headwind investors are pricing in.

Of course, Air Canada is a founding member of Star Alliance and Canada's flag carrier. It is the only international network carrier from North America to get a Four-Star ranking from Skytrax. Also, it is Canada's largest private-sector organization that provides bilingual services across Canada. This is a company many long-term investors have done well owning, despite the recent volatility.

Let's dive into Air Canada's recent announcement, and what it could mean for shareholders.

Acquiring 26 extra-long-range Airbus A321neo aircraft

Recently, Air Canada announced that the airline is getting 26 new extra-long-range Airbus A321neo aircraft. The company also added that deliveries will start in Q1 2024, with the last aircraft arriving in Q1 2027.

Air Lease Corp. will lease 15 of the aircraft, and AerCap will lease five. Also, Air Canada will purchase six aircraft as per a deal with Airbus, which includes buying rights for additional 14 aircraft between the years 2027 and 2030.

The financial terms of these deals were not available immediately. This aircraft will carry 182 passengers with 168 economy class seats and 14 lie-flat seats.

Canada's biggest airline in terms of passengers carried and fleet size stated that the new planes will feature a range of roughly 8,700 kilometres and will be operational non-stop anywhere across North America. Also, pending Transport Canada approval, these planes will target transatlantic routes.

Bottom line

For Air Canada shareholders, this announcement appears to be bullish. Air Canada is making a bet that demand [growth](#) will remain healthy. Accordingly, this airline is investing in its capacity to meet rising demand over time.

These extra-long-haul aircraft could expand Air Canada's market share at a time when other airlines are trimming costs. Accordingly, those thinking very long term may like this deal.

Of course, how this deal factors into Air Canada's balance sheet remains to be seen. Until Air Canada can turn a consistent profit again, this stock will be a hard one to assess.

For now, I think the market is getting it right in assigning a bullish outlook for Air Canada. On par, this remains one of the best airlines in this uncertain market right now.

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