Top Canadian Travel Stocks of 2023

Description

With COVID-19 travel restrictions easing and travellers finally venturing back out into the world, the travel industry could be setting up for a significant rebound.

But the travel industry is still riddled with uncertainties. The war in Ukraine, pilot and staffing shortages, and the stubborn presence of COVID-19 variants all make it difficult to predict just how much growth this sector could experience.

That said, the prospects for recovery are both exciting and encouraging. If travellers continue to brave the open world, travel companies could see some immense growth this year.

For those looking to profit from this industry's expected revitalization, here's what you should know about investing in travel stocks.

What are travel stocks?

Travel stocks are a widely diverse bunch. They touch on every aspect of tourism and travel, from hotels and airlines to booking companies and amusement parks.

They can be tech companies, like **Airbnb**, or hotel chains, like **Marriott International**. However different they seem, travel companies unite in that they sell *experiences*.

And those experiences are immensely profitable. The global travel and tourism sector is one of the world's largest sectors.

In an average year, it brings in a whopping $9.2 trillion in revenue, representing around 10% of global GDP. But, of course, the travel industry did experience a hiccup in both 2020 and 2021.

Top travel stocks

Because travel stocks are so widely varied, it can be difficult to pick the best ones for your portfolio. So one thing to note: because travel stocks come from different market sectors, it's not helpful to compare their valuation metrics. For example, you wouldn't want to compare Air Canada's price-to-earnings (P/E) ratio with the P/E of Airbnb, as the average P/E ratio for airlines is different from tech companies.

That said, here are a few solid front-runners in the travel industry, as well as two Canadian growth travel stocks that are worth watching.

Travel Stock	Description
Airbnb (NASDAQ:ABNB)	Hospitality app that allows travelers to rent spaces from property owners across the world.
Booking Holdings (NASDAQ:BKNG)	World leader in online booking services.
Air Canada (TSX:AC)	Canada's biggest airline service, serving around 50 million passengers annually.
American Hotel Income Properties REIT (TSX:HOT.UN)	American hotel REIT that develops and manages luxury hotels.
Transat A.T. Inc. (TSX:TRZ)	Canada-based tour operator headquartered in Montreal.

1. Airbnb

Airbnb is a tech stock that has revolutionized the tourism industry. In the past, travellers had limited accommodation options, which often restricted where they could go. Airbnb has built a vast network of home stays that allows travellers to go where no hotel has gone before.

Though the company's growth slowed during the COVID-19 pandemic—reporting losses of $1.8 billion in 2020—it fully rebounded in 2021. It reported 301 million booked nights in the year, which represented a 56% recovery.

Unlike other travel companies, that are still trying to recover from the pandemic, Airbnb is sitting on piles of cash, with low debt, positive cash flow, and more people booking experiences than in previous years.

Airbnb's success rides on the fact its brand goes beyond "travel-as-vacation" to embrace "travel-as-a-lifestyle." In this way, travellers with remote jobs can book experiences through Airbnb, combining work and travel with greater ease than we've ever seen before.

This work/culture combination will likely help this company grow tremendously, especially as more people seek out work remote lifestyles.

2. Booking Holdings

Booking Holdings is a massive digital travel agency that owns numerous iconic travel sites, such as:

- Booking.com
- Priceline.com
- Kayak.com

- Rentalcars.com

Over the years, Booking Holdings has built an empire in the online booking sector, where travellers can do everything from buying plane tickets to booking hotels to renting cards in a seamless experience.

Though the company took some heavy losses during 2020—cutting both its global workforce and its operating costs—it has since rebounded, reporting a 141% rise in revenue from 2021 to 2022.

With Booking Holding, one thing to watch for is scale. The company has grown extremely large, and it's not exactly clear how it can continue to scale upward, especially with other competitors, like Airbnb, now dominating the space.

Even so, Booking Holdings remains a world leader in the travel space, one that could be a good investment.

3. Air Canada

Air Canada is Canada's leading commercial air carrier, as well as the owner of Canada's most popular travel rewards program, Aeroplan. Before the COVID-19 pandemic, Air Canada was flying around 50 million passengers a year, and in 2019 it even brought in $19 billion in revenue.

In 2020, Air Canada stock fell hard, reporting only $5.8 billion in revenue in 2020, a decline of $13.3 billion or 70% from 2020. With its planes all but grounded from 2020 to 2021, the airline company could do very little but cut costs and wait until the pandemic was over.

Unfortunately, things haven't gotten much better, as high jet fuel prices are making operating costs exorbitantly high. And, while Canadians are finally traveling again, much of that pent-up demand could be smothered if airline tickets become too expensive.

Still, this is Air Canada we're talking about, a company that dominates domestic and international travel in Canada. Even though it has had a tough two years or so, the company has proven its resilience. Already it has shown signs of life, as it flew more than 100,000 customers on April 15, 2022, the first time it's flown at that volume since March 2020.

4. American Hotel Income Properties REIT

Based in Ontario, American Hotel Income Properties REIT pools investor money and reinvests it in hotel real estate properties across the U.S. This real estate investment trust (REIT) doesn't invest in just any old hotel, however. They invest in *premium branded* hotels, such as Marriott or Hilton.

Like other REITs, American Hotel Income Properties pays out an annual dividend.

As the travel industry begins to recover, American Hotel Income Properties is expected to rebound with it, which means now might be a good time to snag shares while the stock price is still low.

5. Transat A.T. Inc.

Headquartered in Montreal, Transat is a growth stock company that specializes in organizing travel packages and tour operations in more than 60 destination countries.

The company is perhaps most well-known for its airline, Air Transat, which won World's Best Leisure Airline by Skytrax in 2021, the fourth time it's won the award.

Before the pandemic, Transat had gotten so popular that Air Canada was going to buy it for $18 per share. Once air travel shut down, however, Air Canada backed out of the offer, and Transat nearly went out of business.

Since then, the company has recovered splendidly, and though it hasn't quite reached previous levels, it's certainly a travel stock to watch, especially for growth stock investors looking to profit from an expected high demand for travel.

Are travel stocks right for you?

If you're interested in investing in growth or value stocks, then travel stocks might be right for you. The COVID-19 pandemic has left many great stocks trading at values below what they're underlying companies are intrinsically worth. The pent-up demand for travel could help these companies regrow to pre-pandemic levels and possibly beyond.

Travel stocks, however, aren't without their risks. As the pandemic showed, the travel industry is vulnerable and sensitive to global crises. In fact, the industry as a whole is cyclical, meaning travel stocks tend to move with the ups and downs of the economy.

When the economy is doing well, travellers have more disposable income and they can buy more plane tickets, book more hotels, and go on more cruises. During economic downturns and inflationary periods, however, travel companies could suffer losses, as travellers are less likely to spend as much on leisure activities.

If you're more risk-averse, or you don't want to handpick individual travel stocks, you could always invest in a travel-focused exchange-traded fund (ETF). They can help you diversify your holding, potentially spreading your money across numerous travel companies.

Common travel-focused ETFs in Canada include:

- **Harvest Travel and Leisure Index ETF**
- **Dynamic Leisure and Entertainment Invesco ETF**

TICKERS GLOBAL

1. NASDAQ:ABNB (Airbnb)
2. NASDAQ:BKNG (Booking Holdings)
3. TSX:AC (Air Canada)
4. TSX:HOT.UN (American Hotel Income Properties REIT LP)

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