



## Is Air Canada (TSX:AC) Stock on the Rebound?

### Description

What is there to say about **Air Canada** ([TSX:AC](#))? This company has seen ultra highs and lowest lows in its history on the **S&P/TSX Composite Index**. Yet after fighting the odds and coming back from the verge of bankruptcy, the company is facing a new battle with the COVID-19 pandemic.

As this tragedy has swept the entire world, airlines were the first to feel the financial strain. For months now airlines have been virtually grounded, which will undoubtedly will have a huge impact on the company's earnings. Already, Air Canada has lost over \$1 billion thanks to cancelled flights and other factors.

Yet there is some hope lately. A market rally seems to be taking place, and there has been some upward movement from Air Canada. Since bottoming out, the stock has risen 88% in the past few months.

It's now gotten some investors thinking that right now could be the best time to buy up this stock before it rises back in favour. But before you do, let's consider a few points.

### Air Canada earnings

Clearly, the last quarter— and likely the next few quarters — will be hard on Air Canada. Analysts obviously are projecting a loss from the company, which could prove serious. The company has done a lot to reinvest as of late, and wasn't completely finished the process when the pandemic hit.

First there was the revenue and cost transformation back in 2009, bringing route optimization, schedule changes, and fleet restructuring. This alone brought a lot more cash into management's pockets, as well as shareholders. Air Canada also expanded globally, buying up airplanes to do the job.

There was the company's acquisition of Air Transat to bring in more ultra-low-cost carriers and battle its competitors. We then saw the acquisitions of its former loyalty program, Aeroplan, which should still be launched sometime this year.

The company clearly brought in cash, but then spent it in the last few years. While this could prove hurtful in the short term, analysts believe over the long term, Air Canada should bring in far more revenue than before.

## Future prospects

The Air Transat acquisition isn't going anywhere, and here's why: This gives Air Canada 60% control of the Canadian transatlantic market. This is enormous, and will likely mean the company will go ahead and close the deal during this second quarter.

Air Transat has taken over the business and low cost carrier markets, becoming the go-to airline for Canadians around the world. It has fuel-efficient aircrafts being introduced to bring costs lower and increase margins. Finally, once the pandemic is over, Canadians will be itching to travel, and Air Canada will likely see an incredible boost in air traffic.

## Be warned...

Although I doubt Air Canada will go bankrupt given its history, it's not going to recover overnight. It could take years to rebound after the pandemic. It could also mean the company will have to follow [new strict guidelines](#) for travel, and this could mean an incredible reinvestment into its processes and airplanes.

While it's nice to think that people will hop back on planes, this could also mean people are just simply too wary to travel any time soon.

Meanwhile, while Air Canada has taken over the Canadian market, globally it doesn't stand a chance. There are highly funded airlines that will likely offer reduced rates to bring on new clients after the pandemic subsidies. That goes for airlines both high and low cost.

## Foolish takeaway

So will this stock continue on its rebound? In my opinion, it will be a slow and steady climb. The company is like many other airlines, and until flights are up in the air again, there isn't going to be much upward movement. However, restrictions are already being relaxed.

That means we could see Air Canada making some announcements ahead of any planned flights to stem passenger worries.

So while I don't necessarily think the company is set to [blast off](#) in the next year, investors could see that happen when business as usual gets underway down the line.

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