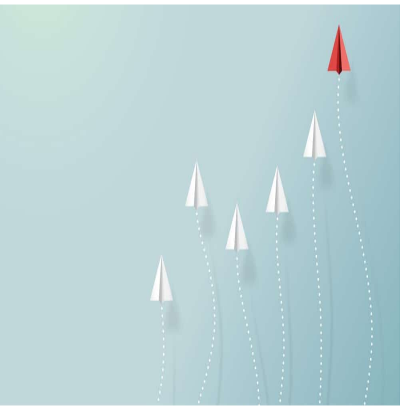

Air Canada Stock: 3 Signs it's Ready to Soar!

Description

Air Canada (TSX:AC) has had a rough year. Lockdowns and travel restrictions have decimated airlines across the world, and Canada's largest air carrier was no exception. Air Canada stock is down a whopping 67.6% year to date. However, there are signs that the pain could be about to end, and the stock could surge much higher.

Here are three signs that Air Canada stock could be heading skyward yet again.

Lockdowns easing

Provinces across the country have eased lockdown measures, as the number of new infections has steadily declined. Even Toronto, the epicentre of the crisis, is currently in phase two of its reopening schedule. In other words, Canada has successfully flattened the curve.

Meanwhile, cases have also declined in other parts of the world, specifically East Asia and Europe. Several destinations, including the European Union, have placed Canadian citizens on a "safe fly list" just in time for the summer.

This means air travel is gradually recovering and could be a positive sign for Air Canada stock.

End of physical distancing on flights

Canada's largest airlines, including Air Canada and WestJet, have recently eliminated physical-distancing measures on board. This means they can now sell all seats on flights as usual.

Airlines claim there are several other measures in place to limit the risk of infection on their flights. These include mandatory masking, pre-boarding questionnaires for all passengers, temperature screening, thorough cleaning of aircraft between flights, and the restriction of in-flight dining services.

From an investor's perspective, the ability to fully book a flight makes the airline profitable again. The airline industry survives on slim margins and the marginal value of every seat sold shouldn't be underestimated.

In other words, Air Canada stock could surge higher if the company returns to profitability in the second half of this year — yet another green flag for investors.

Better financials

The final signal that Air Canada stock could surge higher is the fact that the company is leaner and more efficient than ever before. The company managed to raise $1.59 billion in fresh funds over the past month. Meanwhile, management has also cut several routes and laid off staff to drastically reduce costs.

Cutting out in-flight meals and beverages is yet another health-related precaution that could help the airline save money. Altogether, the airline seems to have more cash on hand, lower costs, and the prospect of increased flight bookings on the horizon. The confluence of these factors could push Air Canada stock much higher.

Bottom line

Air Canada stock is beaten down. Investors are worried about the prospects of the industry as the pandemic rages on. However, recently emerged signals could indicate a sharp rebound for Air Canada stock.

Domestic travel has gradually resumed. Meanwhile, international destinations have opened their gates to Canadian tourists. The airline has reduced costs and raised cash over the past few months. Now, with the elimination of physical distancing, flights could be profitable again. The culmination of these factors should propel the stock higher.

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