What’s Common in Air Canada and Chorus Aviation’s Q2 Earnings?

## Description

Just like their aircraft, shares of Canadian airline companies have been grounded since March. Some top airline stocks like **Air Canada** (TSX:AC) and **Chorus Aviation** (TSX:CHR) have lost approximately two-thirds of their value in 2020.



Apart from market performances, their quarterly earnings indicate the pandemic’s deep impact on their operations. In the second quarter of 2020, Chorus Aviation’s revenues fell 45%, while Air Canada’s declined by approximately 90% against Q2 2019.

# Air Canada and Chorus Aviation in Q2

Chorus fared better than Air Canada on the earnings front as well. While the flag carrier reported $1.75 billion in loss, Chorus stood tall and posted an adjusted profit of $21 million for the second quarter.

This was a decline of 10% against the same quarter last year. Chorus is a $440 million airline and operates chartered flights within the Canadian borders and leases its aircraft to Air Canada.

Interestingly, what’s common in these airlines’ quarterly releases is the urge to ease government-imposed air travel restrictions. Chorus followed Air Canada’s rhetoric on these curbs claiming Canada’s federal and interprovincial travel restrictions as one of the most severe in the world.

Chorus also stated, “the Canadian and provincial governments need to look to other G20 countries that have implemented safe, thoughtful, practical and science-based approaches to strategically easing travel restrictions in order to enable business and economies to restart and succeed within this new normal. Unlike other countries, Canada has not provided sector support to the aviation industry.”

# Air travel recovery in the second half of 2020

Air Canada and Chorus Aviation both are of the view that the air traffic will likely recover in the third quarter. Importantly, if authorities ease travel curbs in the near future, it will further bode well for

Canadian airline companies. It will likely improve their deeply impacted revenues sooner than expected.

Chorus trimmed its workforce by 65% amid the pandemic. Other cost-cutting measures and dividend suspension will likely help it withstand the crisis. Air Canada, too, suspended several routes and reduced manpower to weather the tougher times.

Both these companies look well placed on the liquidity front right now. But prolonged pandemic and lasting travel restrictions could make the things gloomier for them.

Talking about the stocks, Air Canada stock seems comfortably holding $15-$16 levels from the last few months. Its second-quarter results were way too bad as against the first quarter. However, the stock did not see any renewed weakness, indicating that it could have already hit the bottom.

## The Foolish takeaway

Chorus stock looks extremely cheaply valued at the moment. Even if its earnings halved in 2020, the stock is discounted on the price-to-earnings front. Notably, because of Chorus's leasing business, its recovery will likely be in tandem with Air Canada.

Air travel might take years to hit the pre-pandemic levels. But some green shoots on that front could notably boost airline stocks. Further, multiple players in the vaccine race and their reasonable timelines make airline stocks' potential recovery more visible.



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