



## Air Canada Q3 Earnings: 3 Factors for Investors to Cheer About

### Description

The country's biggest air carrier **Air Canada** ([TSX:AC](#)) reported its third-quarter earnings today. While much of the numbers came close to expectations, there are some factors that might cheer investors.

### Air Canada: Q3 loss narrows

Air Canada reported \$757 million in revenues for the quarter ended September 30, which was a drop of 86% compared to Q3 2019. In the second quarter, Air Canada's revenues fell almost 91% year over year. It posted a loss of \$2.31 per share for the Q3, beating consensus estimates.

This marks the third straight quarterly loss for the flag carrier this year. However, everything is not gloom and doom. Air Canada's Q3 earnings per share significantly improved from the Q2 loss of \$6.44 per share.

Air Canada has been among the worst-performing stocks among the Canadian giants this year. It has lost around 65% so far this year. Notably, the stock has held \$15 levels for the last more than six months. It might continue to act as crucial support in the short to intermediate term.

Though some of the factors certainly improved on a quarter-over-quarter basis, a smooth recovery still does not seem in sight. Unarguably, Air Canada is well positioned on the liquidity front and could continue to operate with minimal capacity for months to come.

It [held](#) approximately \$8.2 billion in cash and equivalents at the end of Q3 2020. Worryingly, travel curbs for a longer period and a prolonged pandemic indicate a steeper road to recovery.

### Lower cash burn

Air Canada burned approximately \$9 million per day in the third quarter of 2020, notably improving from around \$16 million per day in the second quarter. The airline is a capital-intensive business, and it incurs a lot under operating expenses, even if one is not operating.

Air Canada's cash burn improved because of higher cash receipts related to the Canada Emergency Wage Subsidy program and deferral of certain capital expenditures.

The airline expects to operate with 25% capacity compared to its Q4 2019 levels. That is still way below normal but shows a significant improvement compared to pandemic-dominated quarters in 2020.

Air Canada once again demanded to ease travel restrictions, which has dented the air travel demand amid the pandemic. It also demanded sector-specific federal aid to sustain longer in these unprecedented times. While Canadian authorities have reportedly working on the airline relief package, the specifics are not known at the moment.

Air Canada slashed the price of the holiday travel specialist **Transat A.T.** deal by 72% last month. It expects the deal to close by February next year if approved by the competition commission. The deal, especially with the discounted price, could reap substantial benefits for AC in the post-pandemic environment.

## Will Air Canada stock go to \$10 or \$25?

Air Canada's Q3 earnings might not fuel a significant surge in its stock. At the same time, however, they also might [not cause a substantial weakness](#) in the short term. Positive vaccine news might drive the stock today. I remain positive on Air Canada as it is one of the well-capitalized airline companies among peers globally.

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