



Why February Is a Big Month for Air Canada Stock

Description

Shares of **Air Canada** ([TSX:AC](#)) have dropped down to the \$20 level. Accordingly, some investors may be enticed to pick up shares of this rebound play. After all, this stock has tons of upside potential if we see the pandemic-related travel restrictions loosened.

There's another catalyst on the horizon that could provide volatility for this stock. I'm going to talk about why the company's upcoming earnings are the thing investors need to keep their eye on this month.

Earnings will be the key thing to watch

Fellow Fool contributor Andrew Button recently called February 12 "[judgement day](#)" for this stock.

He wrote the following:

"On February 12, Air Canada will be releasing its fourth quarter and full year report, which will tell us:

- Standard financial info like revenue, net income, cash flows, and assets/liabilities
- Operational data like passenger levels and number of routes in service
- Forecasts for the first quarter and full year 2021

It's the last item on that list that's perhaps the most important. Management earnings forecasts tend to influence analyst estimates, which in turn influence stock prices. If Air Canada forecasts another multi-billion dollar losing year in 2021, then AC's stock will likely tank. AC's November rally was kicked off by the vaccine announcement."

I wholeheartedly agree. I think right now investors are looking past this pandemic. Forecasts are really all investors have with rebound plays like Air Canada. How this stock moves in February depends largely on how bullish or bearish Air Canada is on the recovery.

How bullish should investors be prior to earnings?

I think Air Canada has given investors a lot to be bullish about right now.

On the pandemic front, I think we'll see vaccine rollouts pick up. With the options of either massive government bailouts or loosening travel restrictions, I think governments will choose the latter. Support for this industry can take many forms, and I think either option would benefit Air Canada shareholders greatly.

Additionally, it appears Air Canada has softened the cash burn blow this pandemic has had recently. The company has done a good job of cutting costs and increasing revenues recently, getting into the air cargo business in a bigger way. I think it's possible, if not probable, that Air Canada will report numbers that are better than expected in a couple weeks.

Time will tell, and this is a speculative play, so investors should not invest more than they're willing to lose. Volatility works in both directions, so staying Foolish and having a well-diversified portfolio is a great way to combat any significant downside moves in one stock.

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chrismacdonald

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