



Air Canada Stock: Why Investors Need to Mark February 12 on Their Calendars

Description

A stock that many investors have on their watch lists right now is **Air Canada** ([TSX:AC](#)). There are various reasons for this, and I think this is a stock that represents an interesting growth thesis. With pandemic-driven rebound stocks like Air Canada, however, there is always the potential downside to consider as well. Here's another reason I think investors need to keep their eye on Air Canada right now.

On [February 12](#), Air Canada's management team will present its Q4 and full-year 2020 financial results. I think the following metrics will be at the forefront of most investors' minds.

Air Canada's balance sheet — specifically, its debt load

In the company's third-quarter earnings release, Air Canada announced it had increased its debt load by more than \$2.1 billion. This capital was raised on top of previous equity issuances which diluted investors.

The debt load airlines carry happens to be a real focal point for investors, for good reason. The crises these airlines have gone through in the past were largely linked to high debt loads. The airline sector is one which is capital intensive in nature. However, large debt issuances like what we saw in Q3 is something I think investors prefer not to see happen on an ongoing basis. Increased leverage means increased risk for investors, so the extent to which Air Canada's balance sheet remains stable will be a key factor to consider.

Forecasts coming out of this pandemic

I think investors will be paying more attention to forecasts than anything else this quarter. I think investors would like a clearer picture of where Air Canada's management team sees the company one quarter, one year, and even five years out. There's so much uncertainty pertaining to how the pandemic will play out, that some degree of skepticism is likely in order. However, I think forecasts are valuable for investors with a longer-term investing time horizon. After all, the cost basis of any long-

term investment matters a great deal to the return investors book over time.

Additionally, I think a great deal of shorter-term investors will want to know how bullish or bearish Air Canada's management team is, generally. This is a stock that could swing precipitously either way next week on the basis of such sentiment. Consequently, forecasts not only related to cash burn and balance sheet concerns, but also passenger volumes and growth will be top items to consider.

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