



Air Canada (TSX:AC) Stock: Will it Continue to Rally in February?

Description

In the last few days, the shares of **Air Canada** ([TSX:AC](#)) have traded on a positive note. They've surged by 9% in the first three days of the month after sliding in the previous couple of months. In January and December, its stock slid by 12% and 8%, respectively.

Let's find out what could be driving the Air Canada [stock rally](#) in February and what to expect from it going forward.

Air Canada stock

The largest Canadian airline has been under immense pressure due to the COVID-19-related financial burden. It's been slightly less than a year since it had to temporarily suspend its passenger flight operations due to the global pandemic-related challenges. These challenges took a big toll on the company's financial condition. In the first quarter of 2020, its revenue fell by 16% YoY (year over year). But it was nothing in comparison to what it faced in the remaining quarters of the year.

Air Canada's revenue tanked by 89% YoY in the second quarter and 86% in the third quarter last year. While the airline tried to push its cargo flight business to make some money, these efforts couldn't help offset the pandemic's devastating impact on its overall business. As a result, Air Canada burnt \$2.8 million in the first three quarters of the year combined.

After registering 68% losses in the first quarter, Air Canada stock continued to trade on a mixed note in the next couple of quarters. A massive November 2020 rally helped it regain some strength and post 45% gains in the fourth quarter. However, it couldn't help the stock end the year on a positive note as it fell by 53% last year.

Why the stock is rising in February

In February, Air Canada has not released any significant news, nor has the Canadian airline industry has seen any positive development. On January 29, the airline [announced](#) the suspension of its flight

operations to 15 destinations in the Caribbean and Mexico on request of the Canadian government. Rising worries about new COVID-19 variants seemingly forced Air Canada to suspend its flights to these destinations.

The financial implication of this update will be negative for the airline, as it had to offer full refunds to affected customers. That's why it would make its cash burn issues even more severe.

The only thing that could be driving its stock higher right now could be investors' high expectations from its upcoming earnings.

Air Canada Q4 2020 earnings

Air Canada will release its Q4 2020 results next Friday on February 12. While Bay Street analysts expect a minor sequential improvement in its cash burn rate in the fourth quarter, its quarterly losses are still likely to be significant. According to these estimates, Air Canada will report \$929 million losses in Q4 — less than \$1.3 billion cash burnt in the previous quarter. Street analysts expect the airline to continue reporting losses in 2021 as well.

A significant decline in business travel demand and continued international air travel restrictions could continue to hurt its business in the coming quarters. That's why Air Canada stock gains — that we've seen in February so far — might not sustain for long.

I find it much wiser to buy other rallying, cheap growth stocks in 2021 rather than waiting for the airline stock to recover.

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