



Is Air Canada a Buy Post-Earnings?

Description

The pandemic was certainly not friendly to airlines. And investors in **Air Canada** ([TSX:AC](#)) have felt the pain.

That said, for investors seeking pandemic turnaround plays, Air Canada remains a top option today. Air Canada's recently announced \$5.9 billion bailout has set the stage for a long-awaited recovery. Investors have continued to bank on such a recovery, with shares climbing in recent weeks.

Let's take a look at the company's [recent earnings](#) to see what we can glean from what Air Canada reported.

Air Canada's earnings

In its latest earnings, Air Canada reported a loss of \$1.3 billion in Q1. This compares to a loss of \$1 billion in the same quarter last year. As a result of this, Air Canada booked a \$3.90 loss per diluted share. This was actually an improvement from last year's \$4.00-per-share loss due to fewer outstanding shares. The company's Q1 revenue came in at \$729 million, down substantially over previous years.

On its face, these numbers look quite terrible. Indeed, passenger volumes have plunged by nearly 90%, meaning the company's capacity cuts of a little more than 80% still provide losses for operations at present. Until travel volumes return, investors are likely to see these sorts of numbers in the coming quarters.

Thus, the question on the minds of most Air Canada investors is this: When will the pandemic end? Or, more specifically, when will travel restrictions be loosened or lifted?

That's the unknown right now driving volatility in Air Canada stock. Passenger flight capacity is set to increase with the withdrawal of restrictions, increased vaccination, and a testing and quarantine strategy at airports. However, the timing of this is going to be big for investors to get right.

Bottom line

Air Canada is a stock that simply requires a significant amount of speculation to own right now. Investors need to speculate on when the economy will reopen, and how well volumes will rebound from these current numbers.

That said, the recent government bailout package provides a light at the end of the tunnel for investors. Yes, the government did take an equity stake in the airline, and the debt portion will need to be repaid. However, should Air Canada have had to otherwise go to the bond market to raise money, there's simply no way it could have gotten loans with near-zero rates like it did with this bailout.

I expect a significant amount of volatility on the horizon in the coming months. Airlines will remain in focus as a bellwether stock with respect to the pandemic. Investors who don't know which side of the fence to sit on may want to stay on the sidelines until the dust settles right now.

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