



Could Air Canada (TSX:AC) Stock Skyrocket in June 2021?

Description

It's been a wild year for **Air Canada** ([TSX:AC](#)). The company went from all-time highs back at the beginning of 2020 to lows not seen in years thanks to the COVID-19 pandemic. And things haven't improved all that much for Air Canada stock. With further lockdowns in place over the last few months, shares in the company remained around \$25 per share — that is, until recently.

Over the last three months, shares in Air Canada stock have climbed by 10%. In fact, in the last month alone, there seems to be an actual trend upwards rather than the ups and downs we've become accustomed to. So, let's look at some of the reasons that Air Canada stock could be on the way towards a rally as soon as the month of June.

Air Canada stock: Bailout bliss?

Canadian investors thought that a [government bailout](#) would be great news for Air Canada stock. However, when the \$5.9 billion financial aid package was announced, it came with multiple strings attached. Prime Minister Justin Trudeau announced the government would be acquiring a stake in the airline for the assistance through the Large Employer emergency Financing Facility (LEEFF) program.

Then, of course, much of that package has to be used for refunds. Meanwhile, it continues to go through an incredibly difficult time where it continues to need funds and isn't looking forward to paying down this debt. On top of that, further conditions state that Air Canada stock must complete its existing order of 40 Boeing 737 Max aircraft, acquire 33 Airbus A220 aircrafts, and resume almost all regional flights. That's going to hurt the company if it [cannot fill to capacity](#).

But it's not all bad news. While this may delay Air Canada's financial recovery, it won't diminish it. In fact, there is one major development in the last month that should see Air Canada stock climb in June and beyond.

Vaccination station

Over 50% of the Canadian population has now received the first dose of the COVID-19 vaccine. Furthermore, 5.2% have been fully vaccinated as of writing. In fact, the government is now looking to move up second-dose vaccination dates for many Canadians. The country is ahead of schedule to see a “one-dose summer,” as coined by Trudeau.

This is excellent news for Air Canada stock and its shareholders. The company is now asking the government to start lifting travel restrictions and start up a tourism program once more. By September, many Canadians could be fully vaccinated, and tourism should rapidly increase, as Canadians ramp up for holiday travel.

During the company's earnings report at the beginning of the month, things were bleak. Revenue fell by 80% year over year, its operating loss almost double, and about \$14 million in cash was burned every single day. So, I'm not here to tell you things will get better overnight. However, the company also expects to approximately double its second-quarter available seats compared to the same quarter in 2020. While cash burn will remain high, the company is curious to see who will take on refunds and who will use travel vouchers instead. This could seriously limit the amount it uses to pay back refunds.

Foolish bottom line

By the third quarter, the COVID-19 situation could be in entirely different territory. Shares of Air Canada stock trade at about \$27.50 as of writing. That's an increase of 21% year to date and 56% in the last year. While the second quarter was negative, COVID-19 vaccinations are a positive sign of improvement for Air Canada stock. So, now could be a good time to take a small stake and see what happens in the months to come.

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