



## Air Canada (TSX:AC) Is Recovering at a Rapid Pace

### Description

It's starting to look like the worst is over for **Air Canada** ([TSX:AC](#)). Fresh out of a \$5.9 billion liquidity injection, it's now opening routes, paying refunds, and getting back to business as usual. While the company is not out of the woods yet, the COVID vaccines point to a future in which it will be. In this article, I'll explore all of the signs that Air Canada is beginning to recover from the damage it took in 2020, starting with the most obvious: routes.

### Routes being reopened

The biggest sign that Air Canada is recovering in 2021 is the fact that it is reopening previously cancelled routes. Earlier this month, the company announced a major summer expansion, including new routes to

- The United States;
- E.U. countries; and
- The Caribbean.

This suggests that Air Canada will earn more revenue this year than last year. In addition, the company can expect Canadian travel to increase at a rapid pace. Just recently, the Atlantic provinces reopened the "Atlantic Bubble," which allowed free travel within the region, and the federal government is easing the quarantine rule for vaccinated travelers. Taken as a whole, these developments suggest that Canadians and foreign travelers will be able to move more freely around the country soon. And that's good news for Air Canada, which depends on unencumbered air travel to make money.

### North American air travel recovering

Another factor Air Canada has going for it is a broad recovery in North American air travel. According to **Scotiabank** [portfolio manager Stan Wong](#), North American air travel levels are beginning to climb up again, as evidenced by these data:

- 1.7 million daily travelers at airports in May (up from a low of 100,000).
- A 43% recovery in revenue passenger kilometres expected for this year.
- 2.4 billion daily passengers expected by the end of 2021.

Broadly, these data suggest that airlines are beginning to recover from the damage they took from COVID-19. But it's important to note that improving metrics do not imply a full recovery. The daily passenger level at U.S. airports pre-COVID was 2.6 million, and we're still nowhere near that. It has been noted before that it took four years for U.S. air travel to fully recover after 9/11, and COVID had a much bigger impact than that. So, while the momentum is positive, a full recovery may still be years away. Indeed, in its first-quarter 2020 earnings report, Air Canada cautioned investors not to expect a complete recovery for *three full years*.

## Foolish takeaway

It's beginning to look like Air Canada is on the upswing. While a full recovery of its business to 2019 revenue/earnings levels is still years away, the momentum now is decisively positive. With the [vaccine rollout underway](#) and self-isolation orders beginning to be relaxed, we are entering the long-awaited "new normal." That in itself doesn't make Air Canada stock a screaming buy. But it does point to a future that looks better than the recent past.

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