



Air Canada (TSX:AC) Stock: 3 Reasons Why it Could Start Q3 With a Bang

Description

Air Canada ([TSX:AC](#)) stock turned slightly positive yesterday after falling in the previous 11 consecutive sessions. The stock rose 1.5% on Tuesday, but it's still down by 5.9% on a month-to-date basis. While the ongoing tussle between bulls and bears might continue in July, some factors suggest that [Air Canada's shares](#) might edge up in the coming months. Let's take a closer look at some of these key positive factors.

Rising travel demand

Last year, coronavirus forced many countries across the globe to impose strict shutdowns or travel restrictions for months. Travel and hospitality arguably became two of the worst-affected industries by these restrictions. As airline companies — including Air Canada — weren't allowed to operate for months, they started burning big piles of cash each day. These losses also forced airline companies to significantly cut their workforce to minimize their costs.

Nonetheless, the travel industry demand has started gradually rising again amid the reopening and vaccination rollout across North America. Earlier this month, the Chicago-based **United Airlines** told thousands of its employees that the airline might not have to cut jobs this fall — mainly due to increasing travel demand.

Travel demand recovery is one of the most important factors that could pave the way for Air Canada's financial recovery. That's why I expect the Canadian flag carrier's cash-burn rate to significantly improve in the coming quarters.

Enough liquidity to implement a recovery plan

As travel demand gradually recovers, Air Canada needs to have enough liquidity to implement its financial recovery plan in a better manner. At the end of the March quarter, Air Canada had nearly \$6.6 billion in liquidity. In addition, the airline company recently also got access to up to \$5.9 billion more in liquidity after finalizing a financial package with the government.

Commenting on the company's liquidity position in May, Air Canada CEO Michael Rousseau [said](#), "beyond serving as a layer of insurance, this makes available, if required, the resources necessary to rebuild and compete in the post-pandemic world."

Healthier cargo business

Air Canada tried to strengthen its cargo business during the pandemic phase maximize its revenues by shipping essential cargo. In the first quarter, the airline operated 2,362 all-cargo flights. On June 14, the company announced that it's now converting many of its Boeing 767 aircraft into dedicated freighters. With this move, Air Canada aims to benefit from the global cargo commercial demand.

Overall, the company's cargo business is in far better shape to compete in the international market right now than it was in 2019 — before the pandemic.

Final thoughts

The ongoing travel demand recovery and healthier cargo business are likely to accelerate Air Canada's financial recovery in the coming quarters. These factors could raise the airline's future sales growth estimates and help its stock inch up in the third quarter. That's why you may want to add Air Canada stock to your portfolio right now before it starts flying high again.

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