



## Air Canada Stock: Should You Buy Ahead of Earnings?

### Description

**Air Canada** ([TSX:AC](#)) remains of high interest for Motley Fool investors. And it's easy to see why. Air Canada stock hit all-time highs before the pandemic. This came after buying back its loyalty program Aeroplan, along with a proposed deal to buy **Transat**.

Motley Fool investors likely already know that the cancellation of the Transat deal isn't the only thing that's gone wrong for Air Canada. As of its last earnings report, the company was losing around \$14 million *per day* from grounded flights. It didn't expect that to improve during the next quarter either, though it did state that it was doubling its available seats.

But now the next quarter is upon us. Air Canada stock announced it would be announcing its second-quarter 2021 results on July 23. So, what should Motley Fool investors look out for during this next quarter? And is now the [time to buy](#) with perhaps some promising news ahead? Let's dig in.

### First, last quarter

Air Canada stock not only announced its first-quarter results during the last earnings report, but the company also made some predictions. It's these predictions we should look into but, of course, also where the company stood during that time. The one word that stood out to me? *Rebuild*. Air Canada stock admitted it continues to see intense cash burn. But the company also stated it had \$6.6 billion in liquidity, which was then boosted by \$5.9 billion from the Government of Canada.

This total gives the company not just insurance but "the resources necessary to rebuild and compete in a post-pandemic world."

That's what Air Canada stock needs to start doing in this next quarter. The company burned through \$14 million in cash every day on average — a total loss of \$1.274 billion for the quarter. It posted negative EBITDA of \$763 million compared to \$71 million the year before. And it posted an 80% decline in operating revenue from the year before as well.

But the company did have some good news. It's completed more than 7,500 all-cargo flights since

March 2020. It's transformed its Aeroplan program, making a major partnership with **Starbucks** in Canada. And even during all this, the company still aims to achieve net-zero emissions by 2050. This is helped by its fuel-efficient aircraft purchased before the pandemic.

## What about Q2?

Air Canada stock provided an outlook for the second quarter for Motley Fool investors to consider. The company predicted higher cash burn than what was announced for the first quarter, and this came from higher-than-anticipated operating earnings, favourable timing on working capital, and aircraft lease returns that now offer a deferred settlement.

Air Canada stock also believes it will double its available seating capacity for the second quarter compared to the same time in 2020. Of course, this was still during the pandemic, so compared to 2019, that's still a decrease of 84%. But with restrictions lessening across the country, and now 3.22 billion doses of the COVID-19 vaccine distributed worldwide, it looks like there could be a major boost in travel coming soon. Canada alone can now boast 35% of its population as fully vaccinated.

But then there's the refunds to consider. The company has already paid out \$1.2 billion in refunds, with \$1.404 eligible in the second quarter. But this is to be neutral for Air Canada stock and its liquidity position given the credit given by the Government of Canada. And while this is eligible, the company believes it will be a total far less than the \$2 billion allocated for the company.

## Foolish takeaway

The second quarter looks positive for Air Canada stock. This could be why after the announcement of its earnings date, shares have slowly but steadily climbed from the \$25-per-share position as of writing. It could very well be that the company hits \$30 per share in the next few days and then be only up from there — especially with even fewer restrictions predicted for the holiday season.

So, now could be a great time to buy Air Canada stock for Motley Fool investors. But be warned: it [remains volatile](#), to say the least.

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