



Air Canada (TSX:AC) Stock: How High Will it Climb?

Description

Air Canada ([TSX:AC](#)) stock shares ended the second quarter of fiscal 2021 on a slightly negative note. The stock experienced a loss of 2.5% in the quarter after posting [significant gains](#) through the previous two periods. Investors worried about the airline's rising expenditures, as it carried forward its COVID-19 refund policy, could be a critical reason for its negative results in the last quarter.

I will discuss some important factors that drove Air Canada stock's valuation before discussing how it might perform in this quarter and beyond.

Air Canada stock's second-quarter performance

Air Canada has finally concluded its debt and equity financing agreements as part of its bailout plan with the Canadian government. The agreements allowed the airline access to a total of up to \$5.9 billion in liquidity through its Large Employer Emergency Financing Facility program. The announcement made on April 12 was expected to provide a boost to Air Canada stock.

However, investor confidence in the flag-carrying airline did not seem to budge, as the government's bailout package came with several conditions. Some conditions will likely increase Air Canada's costs in the coming quarters before providing it the relief it sought.

For instance, Air Canada agreed to provide full refunds to all qualifying customers who purchased non-refundable tickets but could not travel due to the pandemic. The airline also committed to restarting flights on multiple regional routes that it suspended as cost-cutting measures. Unfortunately, the travel demand for those routes might take a long time to recover.

Collectively, these factors could have contributed to why the airline ended its last quarter on a negative note.

Outlook for the current quarter

As Air Canada moves through its third quarter for fiscal 2021, the situation could begin improving for the airline. Air Canada's financials did not improve significantly, despite the government bailout package. However, things appear to be improving, as demand for air travel picks up again.

Complete recovery in travel demand alone could be an excellent enough contributor to improve its financials. While the company might still have to struggle with short-term volatility, Air Canada might have a better outlook for the medium term.

Foolish takeaway

And now the question stands: How high will Air Canada stock climb?

At writing, Air Canada stock is trading for a 15% gain on a year-to-date basis. The recent dip in the stock could present [an ideal opportunity](#) for investors bullish on the Canadian airline stock to invest for long-term profits. Considering the surging demand for international travel, AC could present substantial upside potential for your portfolio.

As to how high it can go, Air Canada stock is still trading for a 50% discount from its January 2020 highs. The beleaguered airline stock might still have a long way to go before it recovers to its pre-pandemic levels, but it seems like a long-term possibility. You could consider adding it to your portfolio if you are looking for [undervalued stocks](#) for your portfolio.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/28

Date Created

2021/07/06

Author

adamothonman

default watermark

default watermark