Massive Reason Why Air Canada (TSX:AC) Could Skyrocket Next Week

Description

Air Canada (TSX:AC) stock soared on Wednesday morning despite the broader market weakness. At 10 AM EST, the stock was trading with nearly 2% gains for the day, even as the **TSX Composite Index** was slightly down from its previous session's closing.

Today's gains in Air Canada stock came after **Delta Air Lines** (NYSE:DAL) — one of the major U.S. airline companies — reported its far better-than-expected latest quarterly earnings results.

Let's take a closer look at some key highlights from Delta's Q2 results and find out what they could mean for Air Canada investors and its stock.

Delta Air Lines' Q2 earnings: key highlights

In the June quarter, Delta Air Lines' sales jumped to US$7.1 billion — far better than Wall Street analysts' estimate of US$6.2 billion. Its Q2 revenues were more than 70% higher as compared to the previous quarter. This was the main reason why Delta Air Lines' adjusted net loss shrunk to US$678 million as compared to its massive over US$2.2 billion loss in the previous quarter.

The airline company attributed its much better-than-expected Q2 results to "accelerating demand environment" and "encouraging signs of improvement in business and international travel." Delta Air Lines also noted that the demand for its premium cabins outperformed the main cabin as the "domestic leisure travel is fully recovered to 2019 levels."

In general, leisure travel tends to be one of the most profitable segments for airline companies. This could be one reason why Delta now expects to come back to profitability in the second half of 2021.

What it means for Air Canada investors

Just like most other airline companies, Air Canada has gone through extremely difficult times in the last more than a year. Since the start of the pandemic, the largest Canadian airline has been burning big piles of cash each day. Just like Delta Air Lines, Air Canada has consistently been reporting net losses since Q1 2020.

According to Street analysts surveyed by Thomson Reuters, it’s likely to continue reporting net losses until the second quarter of 2022. If there is something that can help Air Canada return to profitability sooner, that is quicker than expected travel demand recovery. Delta’s latest results today clearly showed that travel demand across North America could be on a path to sharp recovery.

That’s why I think Air Canada may pleasantly surprise investors and analysts when it reports its Q2 results next week on July 23. As of July 14, Bay Street expects the Canadian flag carrier to report revenues of $851 million with about 61% year-over-year gains.

Buy Air Canada stock today

Surging demand could help Air Canada return to profitability much sooner than expected and fuel a buying spree in its stock soon. That’s why I recommend long-term investors to buy Air Canada stock today as this expected big rally in its stock may start as soon as next week.

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