



Air Canada (TSX:AC): Should You Buy it Now?

Description

Air Canada ([TSX:AC](#)) stock has been trading mostly sideways for several months now. After climbing from its 2020 low of \$12.41 for about a year, it hit \$25 in April and has been trading near that level since then. Investors appear to be waiting for a catalyst or some sign that the company's fortunes are turning around. We'll possibly be getting one soon, as AC reports earnings on July 23. In this article, I'll review the latest news about Air Canada and explore whether its stock could be a buy at today's prices.

North American air travel rebounding

One bullish development for Air Canada is the fact that North American air travel is rebounding from its 2020 lows. In a recent interview, **Scotia Wealth** [portfolio manager Stan Wong](#) highlighted three big signs that air travel was on the upswing:

- 1.7 million passengers at U.S. airports daily (up from a low of 100,000)
- An expected recovery to 43% of 2019 levels by the end of 2021
- A continued recovery in 2022

These predictions are about in line with what the airlines forecast in the first quarter of 2020 — namely, that it would take [three years to recover to 2019 revenue levels](#). If we're up to 43% of 2019 levels by the end of 2021, then we would appear to be on pace for a full recovery in a few years.

The dreaded Delta variant

Of course, Air Canada's recovery is totally contingent on the world actually getting past the COVID-19 pandemic. If there's another major "wave" of COVID, then the recovery will be called into question. And there is one development going on at the moment that could indeed jeopardize the world's victory over the pandemic: the Delta variant. The Delta variant is a new strain of COVID-19 that is more contagious and less studied than the original strain. There are some worries that existing vaccines do not provide full protection against Delta. So far, research suggests that they do, but the narrative that new lockdowns will be required in the fall to cope with the Delta variant is spreading. If that ends up being

the case, then Air Canada's recovery will be put off by another few months at least.

July 23 is the date to watch

Regardless of what happens this coming fall, we'll soon know how Air Canada did in the first half of 2021. The company is releasing its second-quarter earnings on July 23. This will give investors a peek at the company's most important financial metrics:

- Revenue
- Earnings
- Cash burn
- Passenger levels
- And more

This is all key information that will help investors assess whether AC is recovering or not. The first quarter was a huge miss, with a \$1.3 billion net loss, but good results in the second quarter could salvage 2021's first half. It's quite clear that Air Canada isn't out of the woods yet. A new variant would be a huge setback, and the company isn't even expecting to hit 2019 revenue until 2023. But the stock is much cheaper than it was at the start of 2020, so perhaps, if things go smoothly this year, it will prove to have been a buy at today's prices.

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andrewbutton

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