



Air Canada (TSX:AC) Could Pop When the U.S. Reopens

Description

Canada is opening its borders to vaccinated travelers.

And one company stands to gain enormously: **Air Canada** (TSX:AC).

The nation's largest airline lost \$4.6 billion in 2020 alone thanks to COVID-19 and took a \$5 billion bailout from the federal government. The COVID-19 pandemic absolutely demolished air traffic levels to the point that AC's revenue [declined 70% for the full year](#).

The damage was real. And it will continue to be real as long as the COVID-19 pandemic keeps preventing people from traveling. One of the most common measures taken by governments in response to the pandemic was 14-day quarantine requirements upon arrival in their jurisdiction. That killed demand for travel, which hasn't fully recovered since.

But we might be seeing glimmers of hope. With Canada opening its borders to travelers, millions of people who couldn't previously enter without isolating can do so. On August 9, borders will be opening to vaccinated people in the U.S., where the bulk of international travel to Canada originates. When that happens, AC could see an influx of traffic from the U.S., which is already in the midst of its own air travel recovery.

How much Air Canada stands to gain

In 2019, Air Canada brought in \$19 billion in revenue.

In 2020, it brought in \$4.3 billion.

There's nearly \$15 billion up for grabs if air travel levels recover and passengers stick with Air Canada. At \$19 billion in revenue, Air Canada can easily turn a profit. Its full-year 2019 earnings were \$1.4 billion compared with a loss more than three times that in 2020. So, if revenue recovers, earnings probably will too.

The question is, will revenue actually recover? The Canada-U.S. border is huge, but it's not the only international crossing Air Canada serves. It serves Canadians in travel to most major regions, and there are still travel advisories in place for the following places:

- India
- Japan
- Germany
- Mexico
- And more

The federal government is planning on allowing travelers from these countries in eventually, but it will take longer than it will for Americans. The U.S. travel easing is scheduled for August 9, while the international easing won't be happening until September 7.

U.S. travel rebounding

As for whether there'll be significant travel to and from the U.S., we've got a significant positive sign on that front.

U.S. air travel levels are rebounding quickly, and they're expected to keep rising. Earlier this month, U.S. airlines counted 2.2 million passengers in a single day, the highest number since the pandemic began. Before that, **Scotia Wealth** analyst Stan Wong said that U.S. airports were [booking 1.7 million passengers daily](#), up from a 2020 low of 100,000. It definitely looks like air travel is making a comeback. And Air Canada's revenue could "come back" right along with it.

Foolish takeaway

It's been a tough year and a half for Air Canada. After hitting an all-time high in the early months of 2020, its stock collapsed in March 2020, subsequently rising only about halfway to its previous highs. Clearly, the company still has a ways to go. But if the U.S.-Canada border reopening proceeds smoothly, things may be better for it going forward.

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Date

2025/08/15

Date Created

2021/07/20

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