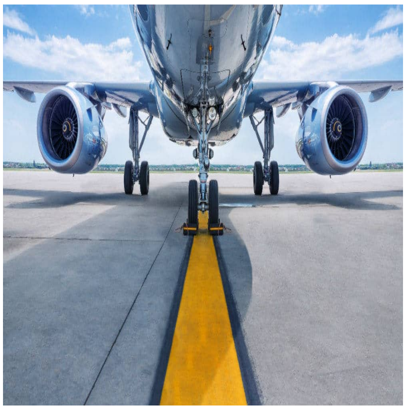

Air Canada (TSX:AC) Stock: At Last, Time to Buy?

Description

Canada's flag carrier is upbeat about the outlook in the coming months. While overall bookings are still below pre-pandemic levels, **Air Canada** (TSX:AC) anticipates leisure passengers to return in droves once travel restrictions ease. Its CEO, Michael Rousseau, said the beleaguered airline would turn the corner and report financial improvements soon.

Investors have been waiting for so long to see Air Canada leave the hangar and fly high again. Now that bookings are steadily increasing, is it time to take a position in a potential growth stock?

Billion-dollar loss and cash burn

While it lessened the loss by $587 million in Q2 2021 (three months ended June 30, 2021) versus Q1 2020, Air Canada's net loss still stands at more than a billion ($1.16 billion). The brightest spot was the 58.8% year-over-year jump in revenues. Likewise, passenger revenue more than doubled. Not to be outshined is the 33% increase in cargo revenues to a record $358 million.

EBITDA in the second quarter was better than expected mainly due to Air Canada's successful cost-control measures, and rapid capacity adjustments to market demand helped reduced the negative EBITDA. During the quarter, total net cash burn reached $745 million ($8 million daily).

Travel demand

Mr. Rousseau said, "Indications are that the worst effects of the COVID-19 pandemic may now be behind us. Based on what we are seeing in other markets that are further along in reopening in Canada, we anticipate travel will resume at a quickening pace."

Air Canada's chief commercial officer Lucie Guillemette added the current demand is mostly for leisure and visiting friends and family. However, the company expects to see a progressive return of corporate demand in September and October 2021.

Based on Ms. Guillemette's assessment, the Atlantic business will recover quicker than the Pacific or Latin America due to high vaccination rates. She added that strong cultural and business connections with Europe and strong leisure interest from Canadians are the other factors.

Abiding by commitments

Regarding its commitment to pay refunds for non-refundable tickets, Air Canada has already returned roughly $1 billion. Management estimates the refund payments in Q3 2021 to be around $200 million. The company is using the federal government's $1.4 billion refund credit facility for refund purposes.

Air Canada also recalled almost 2,900 employees in June and July to prepare for higher service this summer to domestic and U.S. destinations. It expects to recall more workers for the fall season. Air Canada retained 50% of the total workforce, including pilots on standby and ready to fly.

However, the rapidly spreading Delta variant could dampen summer travel and even lead to stricter travel restrictions. *Los Angeles Times* reported the U.S. would keep existing COVID-19 restrictions on international travel in place. It could be a big blow to Air Canada. Guillemette said that rebuilding its U.S. operations as the largest foreign carrier is key to its recovery.

Stock performance

Despite management's assurances that a turnaround is coming, Air Canada isn't a screaming buy. Besides, the airline stock hasn't taken off, even with the federal bailout. The share price has gone up to as high as $29.80 on March 15, 2021. However, it was a bumpy ride since. You can purchase Air Canada today at $25.50 per share — a 12% year-to-date gain.

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