



## 4 Reasons to Buy Air Canada (TSX:AC) Stock in September

### Description

Investors' [patience](#) with **Air Canada** ([TSX:AC](#)) must have run out after waiting seven quarters for a breakout. Indeed, the airline stock hasn't taken off as most of its passenger aircraft fleet. However, there's still hope for a grand comeback after 2021. There are four reasons to [buy the stock](#) this September before it happens.

The share price has risen to as high as \$30 in mid-March 2021, only to sputter again. As of August 27, 2021, Air Canada has only a 9.9% gain to show at the current share price of \$25.03. However, market analysts maintain a buy rating and predict a return potential of 21.38% in the next 12 months. The trailing one-year price return is already 51.7%.

### 1. Revenue-enhancing initiatives

Air Canada saw its operating revenues increase by 59% to \$837 million in Q2 2021 versus Q2 2020. The airline's negative EBITDA of \$656 million was smaller by 21.2%. Moreover, its unrestricted liquidity as of June 30, 2021, reached almost \$9.8 billion.

Notably, Air Canada's average seat mile (ASM) capacity rose 78% year over year. The airline's peak summer schedule has 50 total Canadian destinations already. Management said it developed the schedule to advance the country's economic recovery. It was also a way to support the tourism and hospitality industry.

### 2. Declining cash burn

The signs are clear that management's continuing cost control measures are effective. Air Canada earlier predicted that it would burn between \$13 million and \$15 million daily, on average, during the second quarter. However, the actual results showed only an \$8 million average per day.

For the third quarter, management expects to see correlated financial improvements. The company sets a cash burn guidance of only \$3 billion to \$5 billion per day. Air Canada President and CEO

Michael Rousseau, said, "We are excited and ready to welcome back our valued customers in great numbers and to introduce them to the many improvements we have made to enhance their journey."

### 3. Adequate financing and liquidity

Rousseau expressed confidence that Air Canada will rebuild stronger and rise higher than ever before. On April 12, 2021, the company paid off US\$400 million worth of Senior Unsecured Notes. After the second quarter, the company launched the syndication of a new secured loan B with a 2028 maturity.

It also completed the syndication of a new senior secured revolving facility that will mature in 2025. Air Canada plans to use the estimated US\$5.35 billion proceeds from refinancing transactions to fund working capital and other general corporate purposes.

### 4. Expanding cargo network

On July 5, 2021, Air Canada Cargo flew its 10,000th cargo-only flight operated by a Boeing 789. Because of restricted passenger flights, the airline shifted attention to on-demand, cargo-only flights in March 2020.

Matthieu Casey, Senior Director, Cargo Global Sales and Revenue Optimization, said about the milestone, "Thinking back to when we began these flights and the sudden grounding of so many aircraft, we wouldn't have guessed that we'd reach these kinds of numbers."

In Q2 2021, Air Canada's cargo business revenue increased 33.1% year over year, a new record. By January 2022, the network should expand as there'll be additional flights due to more freighters entering the service.

## Breakout will come

According to Michael Rousseau, Air Canada is turning the corner in 2021. While it doesn't reflect on the [growth stock's](#) performance yet, there's growing optimism that the breakout will come.

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