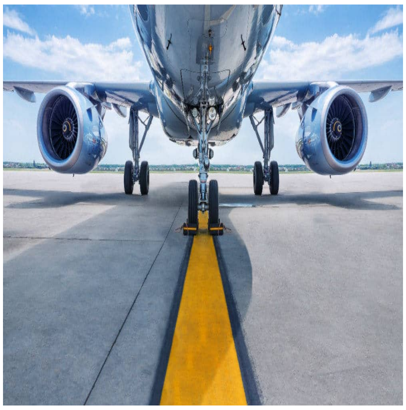

Air Canada (TSX:AC) Stock: Last Call Before its Expected, Spectacular Takeoff

Description

Air Canada (TSX:AC) stock surged by 3.5% Monday, posting its biggest daily gains in over a month. These gains came after the Canadian airline company announced "…resumption of its non-stop flights to and from Delhi, India, following the lifting of the Government of Canada restrictions on non-stop flights from India." While the resumption of these flights could help Air Canada regain investors' confidence in the short term, the improving prospects of its financial recovery could also help its stock start a long-term recovery soon, I believe. Let's look a closer look at some of the key factors pointing towards its recovery.

Air Canada stock: The worst phase might be over

Including yesterday's sharp gain, Air Canada stock is still trading at $24.36 per share with 4.5% losses on a quarter-to-date basis. The stock is continuing to underperform the broader market by a wide margin in 2021. While the **TSX Composite Index** has risen by 17.4% this year so far, AC stock is still up by only 7%.

Air Canada stock has remained underappreciated in 2021, despite several positive factors — including the government's financial aid package and early signs of demand recovery. Uncertainties about its financial recovery and concerns about new COVID variants continued to hurt investors' sentiments.

Nonetheless, a recent gradual decline in daily COVID cases is seemingly encouraging the Canadian authorities to ease international travel restrictions, which is critical to Air Canada's financial recovery. That's why I believe the worst phase of the pandemic might already be over for the airline company and its stock.

Surging demand and the upcoming holiday season

I don't expect Air Canada's financials trend to suddenly reverse to positive immediately. However, a faster-than-expected travel demand recovery could at least start a positive trend in its financials in the coming quarters. In its second-quarter earnings report, Air Canada clearly highlighted a consistent rise in advance bookings amid rising travel demand. Many other large North American airlines also confirmed these encouraging demand trends in their latest quarterly reports.

As the fears about new COVID variants continue to subside amid the rising vaccination rate, I expect the travel demand to surge further in the coming months. Moreover, Air Canada has already started preparing for an expected surge in demand during the upcoming holiday season. That's why it has been engaging with employees in advance to avoid any staff shortages.

During the pandemic phase, the Canadian airline company tried to reduce unnecessary costs and strengthened its cargo business, which could have a positive impact on its profitability in the long run.

Air Canada stock could start recovering soon

Air Canada has burnt more than $6 billion cash in the last six quarters due to the pandemic-driven challenges. As a result, its stock is still down by nearly 50% from its pre-pandemic levels (2019 closing price). Nonetheless, all the positive factors I discussed above could help its cheap stock start a spectacular long-term recovery anytime soon. That's why I recommend long-term investors to buy AC stock right now before it's too late.

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