



3 Reasons to Buy Air Canada (TSX:AC) Stock This Month

Description

The International Air Transport Association (IATA) reported that global air demand, measured in revenue passenger kilometres, dropped 56% in August 2021 versus 2019 pandemic levels. Also, the association estimates international recovery to stall due to lower September bookings.

However, IATA director general Willie Wash said it's not the time for governments to step away and discontinue support (financial and regulatory) for the airline industry. He urges governments too to apply a risk-based approach to managing borders.

In Canada, it's not yet business as usual for **Air Canada** ([TSX:AC](#)), but the airline is choking from the summer travel surge. Staffing challenges have been the utmost concern since mid-September 2021. For investors, it's a positive development because the current share price of \$24.64 is 54% higher than a year ago.

Market analysts even forecast a further climb to nearly \$30 (+21.2%) in the next 12 months. The predictions could prove correct. Likewise, there are reasons for investors to consider the [growth stock](#) as a compelling buy before the business [recovery](#) begins.

Successful outbreak prevention

The good news for Air Canada is the dramatic improvement in the country's COVID-19 situation in recent months. The Canada Border Services Agency reported that the illness severity and hospitalization rates remain manageable, notwithstanding the increasing cases in the fourth wave of the pandemic.

According to the agency, the data shows that Canada is better able to prevent outbreaks of infection. The continued adherence to public health measures by Canadians and incoming travellers is a contributing factor. It also means that the government can allow more incoming fully vaccinated travellers without increasing Canadians' health and safety risks.

Air Canada has resumed or opened new flight destinations since the federal government eased the

mandatory two-week quarantine requirement in July 2021 for fully vaccinated nationals and residents arriving in Canada. In August, fully vaccinated citizens and permanent U.S. residents were allowed to enter the country.

As of September 7, 2021, vaccinated international travellers can enter Canada. However, only people who received Pfizer-BioNTech, Moderna, AstraZeneca/COVISHIELD, and the Janssen/Johnson & Johnson vaccines are allowed entry.

Turning a corner

Management believes [the worst is behind Air Canada](#) despite another significant quarterly loss in Q2 2021. Its CEO Michael Rousseau, said, "Customers are returning." The \$8.81 billion airline company experienced a significant increase in bookings in June 2021, prompting Rousseau to declare, "We can now optimistically say we are turning a corner."

Air Canada reported \$837 million operating revenue in Q2 2021, or a 59% growth versus Q2 2020. More importantly, net daily cash burn during the quarter declined 43% to \$8 million from \$14 million in Q1 2021. Management expects further reduction in Q3 2021 (between \$3 million to \$5 million per day).

Increasing cargo revenues

Investors should also look into the increased revenue in Air Canada's air cargo business. The 33% increase in Q2 2021 over the same period in 2020 was significant. Expect the business segment to deliver more with the ever-increasing cargo demand. Two dedicated Boeing 767 freighters will be available by year-end 2021 to complement the existing all-cargo flights using passenger aircraft.

Breakout is imminent

Air Canada's breakout in the stock market will not happen in 2021. However, now is an excellent time to take a position in the airline stock. The share price could soar sky-high to start 2022.

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