



Air Canada (TSX:AC) Stock: Where Will it Be in 1 Year?

Description

Canada's flag carrier, **Air Canada** ([TSX:AC](#)), flew high in pre-pandemic. Investors also welcomed its stock's inclusion in the inaugural TSX30 list in 2019. The airline company ranked seventh behind four cannabis producers, two mining firms, and one tech superstar.

Moreover, Air Canada boasts 27 straight quarters of profits before the COVID-19 pandemic. In Q1 2020, the global pandemic erased the gains of the past. Today, the company is on track to report seven consecutive quarters of losses. Similarly, the health crisis almost pushed Air Canada to bankruptcy.

As of October 19, 2021, the share price is \$23.15. However, despite the 48.3% gain from a year ago, the airline company isn't an [attractive proposition](#) for investors. It's (almost) a foregone conclusion that Air Canada will not soar anytime soon or at least in the last quarter of 2021. Thus, many people wonder where the presumed [growth stock](#) will be in one year.

Industry outlook

The International Air Transport Association (IATA) announced its latest outlook for the airline industry, particularly its financial performance. IATA notes improving results amid the ongoing global pandemic. The association estimates net industry losses in 2022 to be US\$11.6 billion from US\$51.8 billion in 2021.

IATA also projects total passenger numbers in 2021 to reach 2.3 billion before climbing to 3.4 billion in 2022. However, it's still considerably below the 4.5 billion travellers of 2019. Because of the pandemic's enormous impact on passenger travel, total losses from 2020 to 2022 could exceed US\$200 billion.

The bright spot is air cargo which IATA says is experiencing robust demand. It's currently 7.9% above 2019 levels but could grow to 13.2% above 2019 levels in 2022. IATA believes the airline industry is well past the deepest point of the crisis. Director-General Willie Walsh said, "Aviation is demonstrating its resilience yet again." The path to recovery is on the horizon, although serious issues remain.

Financial performance

Air Canada's most recent quarterly results still reflect the pandemic's devastating effects on business performance. In Q2 2021, operating loss versus Q2 2020 was lower but still over \$1 billion. The company's average daily cash burn was \$8 million or \$745 million for the quarter. Still, [management is optimistic](#) due to the current booking trends.

Air Canada President and CEO Michael Rousseau said the easing of travel restrictions facilitates travel and drives additional demand for air travel. He adds that it also provides a potent stimulus to overall economic activity. Furthermore, Air Canada expects to see correlated financial improvements soon. In Q3 2021, the average daily cash would drop to between \$3 and \$5 million.

Meanwhile, Air Canada continues to expand its cargo business that saw a 53% increase in revenue for the first half of 2021. The company's pivot to more all-cargo flights is proving successful, as evidenced by the boom in its freight business.

Stock performance

Last year was forgettable for Air Canada investors, who lost 53.51% overall. The 2019 year-end price was \$48.51 before hitting rock bottom (\$12.15) on March 19, 2020. Thus far, the year-to-date gain is only 1.7%. Market analysts see a return potential of 27.7% to \$29.56 in the next 12 months. The stock price never reached \$30 in 2021, which will likely happen again in 2022.

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