Is Air Canada (TSX:AC) Stock Worth Buying Today?

Description

Air Canada (TSX:AC) stock was soaring high above the clouds before the pandemic struck. The onset of COVID-19 during the first quarter of fiscal 2020 wiped out the 27 consecutive quarters of profitability for the high-flying airline stock. The stock is already close to completing seven consecutive quarters of losses on the stock market due to the pandemic's impact.

You might be interested in investing in the stock if you are an investor seeking undervalued stocks for your portfolio. Air Canada stock is trading for $23.06 per share at writing, up by over 44% year over year. It means that the stock is not entirely trading for an attractive valuation compared to the same point last year.

It is not likely that we will see the airline soar rapidly anytime soon. What matters right now is where the stock could be in the next 12 months. Will it be worth much more, or will the airline still be struggling to take off?

The outlook for air travel

The International Air Transportation Association (IATA) recently announced its outlook for the beleaguered industry. The organization has noted that the financial performance in the industry has improved amid the surge in demand as the global vaccination rollout continues. The total losses for the airline industry are estimated to be around US$51.8 billion by the time this year ends. IATA anticipates the industry losses to reduce to US$11.6 billion in 2022.

The organization also expects the estimated number of total passengers to reach 2.3 billion people as 2021 ends. IATA anticipates the figure to increase to 3.4 billion by next year. Despite the improved outlook for the industry, the expectations are significantly lower than the 4.5 billion travelers two years ago.

While the broader travel industry suffered massively due to the pandemic, the cargo segment for the airline industry proliferated. Air cargo business demand is expected to grow by 13.2% from its levels two years ago.

The airline industry is likely past its biggest troubles due to the global health crisis and on its way to recovery, barring a few short-term issues.

Air Canada's performance

The airline's second-quarter performance for fiscal 2021 saw its operating losses shrink compared to the same quarter last year, but the airline was still burning through $8 million each day on average through the quarter.

The increase in bookings for air travel has boosted the airline's commercial passenger flight business. The airline anticipates significantly improved financials in the coming quarter, expecting its daily cash burn to decline to between $3 million and $5 million.

The airline has used the downtime for its passenger flights to expand its cargo business, increasing its revenues through that vertical by over 50% during the first six months of 2021. With its freight business bringing in significant revenues for the airline, a better performance from its passenger flight business could spell excellent news.

Foolish takeaway

At writing, Air Canada stock's price is up by less than 1% year to date. The stock is down by over 22% from its March 2021 high and still a staggering 54% down from its pre-pandemic high in January 2020.

It seems that the worst for the airline is in the past, but it could see some more trouble if industry trends become less favourable in the coming quarters. Long-term investors might want to buy its shares today to enjoy long-term capital gains as the stock gradually recovers. However, investors with a shorter investment horizon might want to wait for its quarterly earnings report to make a more informed decision.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Investing

Date
2025/07/21
Date Created
2021/10/30
Author
adamothman