$1,000 Invested in Air Canada (TSX:AC) 1 Year Ago Is Worth This Much Now

Description

When the **TMX Group** launched the inaugural TSX30 List in September 2019, growth investors knew **Air Canada** (TSX:AC) would be among the top 10. Apart from claiming the seventh spot, it received an upgrade from Moody's Investors Service because of its company's strong financial profile.

TMX recognized Air Canada for its consistently strong share price performance in the last three years. Then CFO and current CEO Michael Rosseau said, "Having our greater financial resiliency acknowledged by these agencies advances us to one level below our goal of investment-grade status," said Mr. Rousseau. Also, Standard & Poor's upgraded Air Canada's rating before Moody's.

A high-flyer nose dives

Air Canada investors were joyous with the 87% overall return in 2019 amid expectations that the 27 consecutive quarters of profit to continue and propel the stock to greater heights. However, the global pandemic altered the growth prospects in that it ultimately led to the grounding of Air Canada.

The high-flyer nosedived when Canada and most countries closed their borders and implemented travel restrictions. From $48.51 on year-end 2019, the share price fell 75% to $12.15 on March 19, 2020. Investors lost 53% overall for the year.

Air Canada's troubles compounded in the COVID year, including paying billions of dollars in passenger refunds. Moreover, the airline has witnessed seven consecutive quarters of losses beginning in Q1 2020. As of October 29, 2021, the airline stock trades at $22.19 per share or a negative return of 2.55%. However, had you invested $1,000 one year ago, your money would be worth $1,471.79 (47% return).

Meanwhile, market analysts maintain a buy rating for Air Canada. They forecast a return potential of 31.86% to $29.26 in 12 months, a far cry from the 87% return pre-pandemic. Unfortunately, the near-term outlook for the airline industry in 2022 isn't exactly rosy.

Near-term outlook

Apart from the projected $40 billion in losses in 2022, the International Air Transport Association (IATA) anticipates cost pressures on airlines to set in. The good news is that IATA also expects airline financial performance recovery in all regions next year, stating that those in North America will return to profitability in 2022.

IATA believes that travel costs will be lower than in pre-pandemic despite rising cost pressure on airline companies. It's more likely that airlines in re-opening markets will offer lower prices to stimulate demand. Furthermore, with world trade remaining strong, air cargo volumes will likely increase vastly.

In the first half of 2021, Air Canada's air cargo division reported a 58% year-over-year revenue growth and 80% higher than in 2019. The $274 million revenue in Q2 2021 was a record. Industry observers say that Air Canada is one of the most aggressive passenger carriers to shift to dedicated cargo operations.

Expect Air Canada to beef up its all-cargo fleet in Q4 2021 of eight aircraft and plans to have two 767 freighters in service by then in addition to the eight aircraft flying all-cargo flights.

Encouraging signs

The situation remains fluid, although there are signs of improvement. While the net operating loss in Q2 2021 was $1.13 billion, operating revenues increased 59% to $837 million versus Q2 2020. Mr. Rousseau could be right when he said the airline is turning the corner.

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

PP NOTIFY USER

1. arosenberg
2. cliew

Category

1. Investing

Date
2025/08/19
Date Created
2021/11/02
Author
cliew