Air Canada Stock (TSX:AC) Jumps 10%: Still a Buy?

Description

Air Canada (TSX:AC) shares saw a major boost on Tuesday, November 2. Air Canada stock jumped 5% after the earnings report came out, and 10% if we include before the market. Management said that the Canadian stock is finally seeing a recovery, to even pre-pandemic levels. But does that mean Motley Fool investors are too late to the party?

Earnings

First, let's take a look at what Air Canada stock reported during its earnings report. The main figure that really impressed analysts was that revenue nearly tripled to $2.103 billion, which is far above the $757 million earned in 2020. Looking back further, we can see this is still far off from the $5.5 billion reported in the third quarter of 2019. But it's a seriously significant improvement.

Air Canada stock remains positive thanks to an increase in demand for air travel. Something management believes should only increase further during the holidays. The company increased its capacity by 87% year over year and 178% quarter over quarter. However, it's still down 66% from 2019 levels.

The ramp-up in "sun markets" as well as United States travel seems to be on the rise, with people booking like they did in 2019. This combination of visiting leisure markets and friends and family will perhaps prompt fuel to rise in the near term for Air Canada stock.

Growth

But in the past, Air Canada stock remained strong thanks to business travel. The world changed during the pandemic, and that's where the company will have to adapt. There is now more remote work than ever, and therefore less need to travel for business. This is why the company seems to be shifting toward a focus on Air Canada Vacations, and the use of its Aeroplan business.

"We were pretty confident that come 2022 corporate Canada returns to their offices and business travel should return. But no doubt that for us, the business has lagged a little bit," Chief Operating Officer Lucie Guillemette said Tuesday.

The company hopes that by 2024, and maybe 2023, things could be back to normal. That normal would include increasing its fourth-quarter capacity by 135% compared to 2020 and dropping 47% compared to 2019. Further, there could be an opportunity for stronger returns in the future, with cargo now a part of the company's revenue scheme.

Foolish takeaway

So is Air Canada stock a buy? The Canadian stock is still half of where it was pre-pandemic. Shares are up 9% year to date, with analysts predicting a potential upside of 21% in the next year.

Right now, the company does look expensive for short-term investors. That's because it's still operating at a loss in earnings. An improvement, but still a loss. However, long-term investors would do well to consider the company. Motley Fool investors know that if you hold practically any stock for long enough, you'll see significant returns.

In the case of Air Canada stock, there *is* hope on the horizon. Air travel, vaccination rates, and bookings are all climbing. So now could be a great time to get in on the action and hold the stock for several years to come.

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