



## Now in Recovery Mode, Air Canada (TSX:AC) Stock Is a Buy

### Description

I reiterate that **Air Canada** ([TSX:AC](#)) is my [top recovery bet](#). The ongoing improvement in its revenue and traffic trends and overall pickup in air travel demand support my bullish view and indicate that Air Canada stock will likely deliver stellar returns in the medium to long-term.

Notably, the airline giant recently delivered impressive Q3 numbers. In response to its strong Q3 performance, Air Canada's CEO Michael Rousseau stated that favourable revenue and traffic trends, cost controls, increases in key passenger geographic segments, continued strength in the cargo business, and solid improvements in Air Canada Vacations and Aeroplan led to a net cash flow of \$153 million in Q3.

Rousseau added that Air Canada is in recovery mode, and improved bookings indicate that it will deliver much stronger financials in 2022. I agree that the ongoing vaccinations, easing domestic travel measures, improving demand trends, and momentum in the air cargo business will drive Air Canada's financials, in turn, its stock price. On that note, let's dive into its Q3 performance.

### Air Canada's Q3 numbers impress

Thanks to the ongoing recovery, Air Canada reported operating revenues of \$2.1 billion in Q3, nearly triple of what it reported during the same period in the prior year. Further, it was significantly better than the operating revenues of \$837 million reported in Q2.

The sharp improvement in revenues on a year-over-year basis and sequentially reflects an 87% year-over-year growth in available seat miles (ASM) capacity available to generate revenues. Further, air cargo revenues surpassed the \$1 billion mark on a year-to-date basis with record revenues of \$366 million in Q3.

Higher revenues and cost control measures led to an improvement in its bottom line. Air Canada managed to cut operating losses by 50% on a year-over-year basis. Furthermore, Air Canada generated net cash of \$153 million in Q3, significantly better than its guidance of a net cash burn of \$280 million to \$460 million.

## Why buy Air Canada stock?

Air Canada stock is trading at over 50% discount from its pre-COVID levels, and with continued improvement in its financial performance, I expect a steep rise in its price.

Air Canada stated that it benefitted from the strong advance ticket sales and increase in passengers carried. I expect the momentum in Air Canada's business to sustain in the coming quarters. Furthermore, Air Canada [projects](#) its ASM capacity to jump 135% year over year in Q4, implying its revenues could improve further.

Also, Air Canada remains hopeful on the corporate market in 2022 and expects a significant rebound in business travel led by small- and medium-sized enterprises).

Overall, the steep ramp-up in demand, easing of Canada's travel restrictions, reopening of borders for the fully vaccinated foreign nationals, and improving capacity and traffic indicates an accelerated pace of recovery in Air Canada's financials. Further, its financials will likely get a boost as corporate Canada returns to the office.

While things are improving for Air Canada, I would recommend only long-term investors buy its stock as the resurgent virus could play spoilsport in the near term.

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