Air Canada (TSX:AC) Stock Jumps 18%: Time to Buy?

Description

The **S&P/TSX Composite Index** continues to improve, reaching all-time highs and remaining stable. This comes from a huge influx of solid earnings reports and the holiday season promising more economic growth. This is especially true for a company like **Air Canada** (TSX:AC). And it's about time.

Air Canada stock recently reported its earnings, sending shares rising 18% in the last month. This comes after almost a year of remaining below $25 per share and finally breaking the barrier. So, let's see what's going on with Air Canada stock and if now is the time to buy.

Earnings

First, let's take a look at the earnings report. Air Canada stock reported on Nov. 2 operating revenues of $2.1 billion, almost triple the $757 million made the year before but still far from the around $5 billion of 2019. Further, the company raised proceeds of about $7.1 billion, with about $9.5 billion in liquidity on its balance sheet. Air Canada stock continues to bring more employees on board, making sure everyone is fully vaccinated or else they face suspension.

The positive momentum led Air Canada stock to increase its fourth-quarter seat capacity by 135% over 2020 levels — a decrease of 47% from 2019 levels. And depending on how Motley Fool investors look at it, it could be considered good news that the company won't provide cash-burn guidance. After all, the holidays are upon us, but the pandemic still continues, and now there's inflation to boot.

Growth

Air Canada stock grew 18% at the news and has remained stable since. A week later, as of writing, and shares still remain at around $26 without a drop off. It seems while investors aren't racing towards the stock, many believe there is enough positive momentum.

The growth we'll want to continue seeing are bookings. And that's something Air Canada stock remains positive about. In fact, its bookings seem to be extending back to 2019 levels for the fourth quarter. While space is still limited for safety and financial factors, it shows that people are ready to fly again.

If they're ready to fly, investors should be ready to buy. Yes, Air Canada stock still has a lot of losses behind it. And that's not going to change overnight. But it's also invested in revenue streams that provide long-term income far beyond the pandemic. And that's something we can all get on board with.

Foolish takeaway

If Motley Fool investors are interested in Air Canada stock, there is enough positive momentum for analysts to give it a positive upside of 15% in the next year. Further, as numbers improve, its value will likely improve as well. This could mean value investors willing to wait it out should buy up Air Canada stock in bulk.

However, I would only recommend this if you're thinking to hold for a decade. The next few years could be rough, with resurgence of the pandemic sending the company back to the drawing board. Also, Air Canada stock is likely going to have to continue making investments into its business to provide enough safety for passengers. That's a cost we cannot ignore.

That being said, as I mentioned, people are ready to fly again. So, if they're getting on board, you should, too. If you're willing to wait, the next few years could see significant momentum that Motley Fool investors will want to be a part of.

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