



Air Canada (TSX:AC) Stock: Ready for Take-off?

Description

The stock with the most significant gain on November 5, 2021, when the index posted a new high of 21,455.80, was **Air Canada** ([TSX:AC](#)). In addition to advancing 6.2%, the trading volume on the [airline stock](#) more than doubled from the previous session. Could it be that the performance on **TSX**'s record day is the beginning of the long-awaited takeoff of Canada's flag carrier?

Comebacks from near bankruptcy

Air Canada's resurrection from near bankruptcy in 2003 was a great comeback story. Those were nightmare years for investors. They didn't expect the airline to emerge from creditors' protection in 18 months, but it did. The second brush with bankruptcy was in 2012 in the aftermath of the financial crisis when passenger demand remained weak.

Management also had to resolve labor disputes and pilot strikes. Again, it was a remarkable rise from the abyss. Air Canada was among TSX's top 10 [growth stocks](#) of the decade (2010-2019), placing third with an [oversized return](#) of 3,663%. The airline stock capped 2019 by ranking seventh on the inaugural TSX30 List.

Many analysts predicted Air Canada to soar higher in 2020 due to 27 consecutive quarters of profits before Q1 2020. Investors were also happy with the 70%+ total return in 2019. However, the arrival of COVID-19 grounded the airline. The \$7.15 billion company also had a third brush with bankruptcy due to the global pandemic.

Encouraging quarterly results

In Q3 2021, Air Canada reported a \$640 million net loss to make seven consecutive quarterly losses since Q1 2020. Nevertheless, the overall results were more encouraging than disappointing for investors. First, the operating loss of \$364 million was a 53.6% improvement from Q3 2020.

Second, operating revenues ballooned 177.8% to \$2.1 billion compared with the same period last year.

Third, the revenue of Air Canada's cargo division topped the billion-dollar mark year-to-date, a record no less. Its President and CEO, Michael Rousseau, said, "We are encouraged by the favourable revenue and traffic trends in the third quarter."

Rousseau hailed the strong increases in key passenger geographic segments and the record cargo performance. He also highlighted the significant improvements in Air Canada Vacations and Aeroplan and said that Air Canada's effective cost control measures resulted in a net cash flow of \$153 million, which is materially better than expected compared to Q3 2020.

Substantial liquidity

Air Canada generated around \$7.1 billion in gross proceeds from a series of financing transactions in Q3 2021. Likewise, management successfully extended the airline's debt maturities to the latter part of the decade. As of September 30, 2021, it had about \$9.5 billion in cash, cash equivalents, short and long-term investments. The available undrawn credit facility was \$4.9 billion.

High confidence post-pandemic

Management said that Air Canada is well-positioned to emerge stronger from the pandemic with its strong liquidity position. The immediate plan is to continue adjusting capacity, building back its network, and investing in the future.

If you have the patience to wait, Air Canada could make a grand comeback in 2022. At \$26.34 per share, the airline stock's gain in the last 12 months is 67.32%, although the year-to-date gain is only 15.7%. Still, market analysts recommend a buy rating and set a 12-month average price target of \$29.88, or a 13.4% upside potential.

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