



Could Air Canada Stock Be in for Some Serious Turbulence?

Description

Among the subtle, under-the-radar [growth stocks](#) that's quietly making headway in the market this year is **Air Canada** ([TSX:AC](#)). Indeed, Air Canada stock has gone through a whirlwind of turbulence for roughly two years. Recently, the biggest passenger airline of Canada declared its Q3 results, fuelling optimism among investors.

Let's dive in to see whether these results could continue to propel Air Canada stock higher, or if risks could derail this discussion over the medium-term.

Air Canada stock strengthened by earnings

Let's start with those positive [earnings](#).

As per Air Canada's recent Q3 results, the company brought in \$153 million in net cash flow this past quarter. That's impressive. Indeed, for an airline that was bleeding cash for quite some time, positive cash flow is always a good thing.

Air Canada attributes this success to substantial improvements in Aeroplan and Air Canada Vacations, cost controls, increase in key passenger geographic segments, favourable traffic trends and revenue, and continued cargo business strength.

Of course, this is still a company in recovery mode. And improved bookings suggest the recovery could be on a rather steady trajectory heading into next year. Accordingly, there's a group of investors out there looking to profit off of what could be a snap-back 2022 and 2023.

However, there are certainly risks. Let's take a look at what the bears are considering with Air Canada stock.

Investors keeping their eye on key headwinds

As we've seen with various U.S.-based airlines cancelling a large number of flights recently, Air Canada has been relatively strong in this regard. The company's been able to manage its inventory well, and has some solid numbers with respect to delivering on its planned flights on time.

However, recent news that approximately 800 of the company's 27,000 employees aren't vaccinated, which leaves room for investors to be concerned. Delays resulting from staffing shortages could certainly stymie the growth thesis with this stock. Accordingly, investors will be keeping an eye on this key metric.

Additionally, higher fuel prices could prove to be another headwind investors consider with respect to Air Canada's profitability over the near-term. Whether this price inflation is transitory remains to be seen. However, given the recent CPI data that's emerged, it's clear that at least some portion of this inflation is likely to be sticky for some time.

Accordingly, assessing where Air Canada's fundamentals will be six months from now, let alone six years from now, is a difficult task. Longer-term investors may look to stay patient on the sidelines as this market calms down.

Bottom line

Air Canada stock is certainly a high-leverage play on the economic reopening we're seeing underway. However, the extent to which key headwinds affect this stock remain to be seen.

For now, I remain generally bullish on Air Canada stock. I think this is an airline that's making a lot of the right steps forward. Of course, risks exist. However, with all reopening plays, similar headwinds are present.

For now, Air Canada is a stock I will be monitoring. Longer-term investors may want to take a harder look on any dips. I know I will.

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