



Could Air Canada Stock Rally After its Q4 Earnings Event?

Description

Air Canada ([TSX:AC](#)) is slated to [release](#) its fourth-quarter financial results on Friday. While AC stock continues to outperform the broader market by a wide margin in 2022 so far, uncertainties about its financial recovery remain. In this article, we'll look at Street analysts' consensus estimates for Air Canada's upcoming earnings, its recent financial trends, and other key factors to watch for in the earnings event. But first, let's take a quick look at its recent stock price movement.

Air Canada stock

Air Canada stock has been one of the worst-performing TSX stocks in the last couple of years. The COVID-related woes took its stock down by 53% in 2020. Its investors were expecting its stock to recover fast in 2021 with the help of a potential recovery in the company's financials. However, the kind of sharp recovery investors were hoping for never took place last year, as the new variants of coronavirus resulted in extended travel restrictions. That's why Air Canada stock fell by another 7.2% in 2021 instead of rising.

While Air Canada stock has already started surging in 2022 to start the year on a strong note, it doesn't mean that it could sustain these gains for long without a real, sustainable recovery in its financials. Let me remind you, its stock also outperformed the broader market by a wide margin in the first quarter of 2021, as it inched up by 15%, while the TSX Composite benchmark rose by 7.3%. However, the airline company's shares couldn't hold these gains in the next few quarters. Finally, Air Canada stock ended the year in the negative territory, despite solid 22% advances seen in the market index.

Air Canada's Q4 earnings estimates

According to the latest estimates data, Air Canada could report total revenue of around \$2.43 billion in Q4 2020, showcasing a massive growth over its \$827 million revenue in Q4 2020. Despite the expected significant surge in its total revenue, analysts expect the airline company to continue burning cash in the fourth quarter. According to the estimates, Air Canada could report around \$505 net loss in

the December quarter, which can take its full-year 2021 net loss to around \$3.5 billion.

What to watch for in Air Canada's earnings event

To be honest, I don't expect Air Canada's Q4 financial results to be full of surprises. Nonetheless, its earnings event on February 18 would still be watched closely by investors to get an idea about the company's efforts to accelerate its financial recovery.

Also, investors could keep an eye on the management's comments about the ongoing trends in Air Canada's bookings and overall demand. These factors, in my opinion, would play a big role in deciding whether or not Air Canada stock could rally after its Q4 earnings event.

That said, I would still avoid buying Air Canada stock right now as I find many other cheap stocks — especially [the ones that have gone through a big correction](#) lately — much more attractive for the long term.

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