



Why Air Canada (TSX:AC) Stock Soared After its Q4 Earnings

Description

The shares of **Air Canada** ([TSX:AC](#)) jumped by more than 4% to \$25.69 per share Friday morning after the company announced its fourth-quarter financial results before the market opening bell. With this, Air Canada stock is now trading with about 22% year-to-date gains against no change in the **TSX Composite** benchmark.

Air Canada stock rallies on Q4 earnings beat

Today's sharp gains in Air Canada stock were primarily driven by its largely better-than-expected fourth-quarter results. Here are some key highlights of its latest earnings report:

- In Q4 2021, Air Canada's total revenue stood at \$2.73 billion, showcasing positive growth over \$2.1 billion in the previous quarter and massively higher than \$827 million in Q4 2021.
- Its latest revenue figure was also much better than Bay Street's expectation of \$2.43 billion, as the company continued to beat revenue estimates for the second consecutive quarter.
- Air Canada reported an adjusted net loss of \$1.26 per share in the last quarter, which was 19% narrower than the expectation of \$1.56 per share.
- The airline company burnt about \$450 million of cash in the fourth quarter — lower than \$610 million in the previous quarter.

Other key highlights from Air Canada's Q4 2021 earnings results

Notably, Q4 2021 was the first time in the last seven quarters when Air Canada's EBITDA turned positive. At the end of 2021, the Canadian flag carrier had unrestricted liquidity of \$10.4 billion — up 29% from a year ago.

More importantly, in its latest earnings report, Air Canada highlighted the positive trend in its advance ticket sales, pointing towards a potential sharp recovery in travel demand. That's big positive news for

Air Canada investors, as I've [pointed out](#) in one of my recent articles, why its long-term financial recovery is highly dependent on the travel demand trend. That's why these signs of demand recovery could be another reason why Air Canada stock rallied after its Q4 earnings event.

What Air Canada's management said about its Q4 results

While commenting on its latest quarterly earnings report, Air Canada president and CEO Michael Rousseau [noted](#) that "the sequential and year-over-year improvement in Air Canada's fourth-quarter results shows the underlying recovery remains intact despite the Omicron variant."

He also mentioned how the airline company's EBITDA in the latest quarter exceeded expectations while its cash flow from operations also remained positive and improved sequentially.

What's next for Air Canada in 2022?

While shedding light on the latest travel demand trends, Rousseau highlighted "robust advance ticket sales" and "other unmistakable signs of revival." To benefit from the demand recovery, Air Canada is preparing itself by actively restoring its network, increasing the number of daily flights, and recalling employees.

Overall, the company's management expects the travel demand recovery to continue in 2022, even if the recovery remains uneven. That's one of the reasons why Air Canada plans to significantly increase its available seat miles capacity by 243% on a year-over-year basis in Q1 2022. The company says that it will continue to adjust capacity based on passenger demand and other factors in the near term.

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