



## 1 Auto Stock Could Fly Higher Than Air Canada (TSX:AC) in 2022

### Description

If you were to invest in the industrial sector today, **AutoCanada** ([TSX:ACQ](#)) is the hands-down choice over **Air Canada** ([TSX:AC](#)). While the airline company (+16.75%) is outperforming year to date, the franchisor of automobile dealerships, (-22.58% year to date) should deliver far [superior returns](#).

The global pandemic has cut Air Canada down to size. Performance-wise, its total return in the last 3.01 years is -25.56% (-9.34% CAGR). However, AutoCanada has rewarded investors with an overall return of 172.36% (39.48% CAGR) during the same period.

Based on market analysts' forecasts, Air Canada's [return potential](#) in one year is 41.9% compared to AutoCanada's 163.2%. The following are some financial data for comparison purposes.

### Record-losing streak

The ongoing pandemic continues to stifle Air Canada's rebound. In Q4 2021, the beleaguered airline company's \$493 million net loss extended its [losing streak](#) to eight consecutive quarterly losses. The highest revenue contributor for full-year 2021 was outside its core business or passenger travel.

Cargo revenues increased 62.5% year over year to \$1.49 billion. The other sign of business revival was the exit from the federal government's financial support program in November 2021. For Q1 2022, management anticipates a 243% increase in available seat miles capacity from Q1 2021.

The \$8.82 billion company recently announced an expanded Summer 2022 International Schedule. It includes the relaunching of 34 routes across the Atlantic and Pacific. Air Canada is, likewise, relaunching its services to popular destinations. Its senior VP for Network Planning and Revenue Management, Mark Gallardo, said, "This is very exciting news for our customers especially now that Omicron is behind us."

Gallardo added. "Air Canada's recovery is well underway and gaining strength." Investors hope they can say the same for the stock. They have been waiting for a colossal comeback. However, the price target of market analysts seems to suggest high growth will come when the business turns the corner

for good.

## Positive outlook with uncertainties

The preliminary data for Q4 2021 (quarter ended December 31, 2021) released by AutoCanada showed a 30% increase in revenue versus Q4 2020. Executive Chairman Paul Anthony said, "We are on track for another record fourth quarter." He said the results should reflect the ongoing positive momentum across the business, fundamental strength, and resiliency.

Anthony referred to the operating platform and balance sheet. Because of the strong operational and financial performance, AutoCanada can continue to develop organically, according to Anthony. It will also enable management to execute its disciplined acquisition and innovation strategy.

The \$900 million multi-location automobile dealership group operates franchised dealerships in Canada and Illinois in the United States. AutoCanada also operates two used-vehicle dealerships and four standalone collision centres within a group of 18. Expect the stock to soar higher if the Q4 2021 results match the record-setting results in Q3 2021.

AutoCanada faces uncertainties ahead. The threats to the business may include economic recessions or downturns and disruptions to the global automotive manufacturing supply chain. All the mentioned factors or conditions could bring down demand for vehicle sales and service.

## Obstacles ahead

The road ahead for Air Canada and AutoCanada have obstacles. However, the airline company must report profits soon to make it a viable growth stock.

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