



Air Canada Stock: 2022 Turnaround in Progress!

Description

Air Canada's ([TSX:AC](#)) widely anticipated turnaround is likely underway. The company's most recent quarter showed higher revenue and a shrinking net loss. Although the recent COVID-19 Omicron variant was a major headwind, the company appears to have made it through in good shape, thanks to its \$10.4 billion in unrestricted liquidity. While the company isn't out of the woods yet, its financial performance is steadily improving. At its current pace, AC may be able to return to profitability by 2023 — assuming oil prices don't rise too much and eat into its bottom line.

Most recent earnings

Air Canada's recent earnings release showed significant improvements for both [the fourth quarter](#) and the full fiscal year. Key fourth quarter metrics included the following:

- \$2.7 billion in revenue — up 30%
- \$503 billion in operating losses — improved from \$1 billion
- \$22 million in positive EBITDA — improved from a \$728 million loss

The full year metrics were also much improved. Highlights included the following:

- \$6.4 billion in revenues — up 9.3%.
- \$3 billion operating loss — improved from \$3.7 billion.
- \$1.4 billion in negative EBITDA — improved from \$2 billion.

So, we saw substantial improvements for the fourth quarter and for the full fiscal year. It was a decent showing overall.

Air Canada stock slides

Although Air Canada's fourth-quarter results [were improved](#) from the same quarter a year before, the markets weren't impressed. On February 18, when they were released, AC stock closed at \$25.4.

Today, the stock goes for just \$21.9. That's nearly a 14% decline. Although Air Canada's results beat, they didn't beat enough by today's standards. If you've been following earnings season this year, you'll know that investors aren't too impressed by small beats these days.

Apart from oil and gas firms, companies need to beat by high double-digit percentage points and deliver deliriously optimistic guidance in order for the markets to take them seriously. As Warren Buffett likes to point out, investors are notoriously impatient. We're seeing that fact at work this year. It is what it is, but it doesn't change the fact that Air Canada's long-term prospects have improved.

Foolish takeaway

Air Canada stock has given investors a rocky ride ever since March 2020. Initially, it plunged 70% on fears that the pandemic would utterly destroy its business. Later, it began a moderate recovery that really picked up steam when COVID-19 vaccines were first announced. Since peaking around \$29, AC stock has been up and down in a range between \$21 and \$26. It has remained there for nearly a year.

What would it take for Air Canada's stock to take off?

A return to profitability certainly wouldn't hurt. But, as per AC's own predictions, that probably isn't coming until 2023. In its Q2 2020 report, Air Canada said it would take three full years to get back to 2019 revenue levels. So, profitability is still probably a long ways off. We therefore can't say for certain when Air Canada stock will begin to soar. But we do know that fundamentals are heading in the right direction.

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