



Air Canada (TSX:AC) Stock Could Bounce Back This Year

Description

Air Canada ([TSX:AC](#)) stock is once again trending downward. At \$20.45, it is at its lowest level since January of 2021. While the airline's most recent quarter showed substantial weakness, the results were much improved from the same quarter a year before. That doesn't mean that Air Canada's stock is going to recover this year. Just the opposite could easily happen. But a gradual improvement in earnings increases the likelihood of a corresponding increase in the stock price.

In this article, I will explore two plausible reasons for Air Canada stock to rise in 2022. While these reasons don't guarantee that AC stock will go up, they do lend credence to the thesis that such an outcome is more likely now than it was a year ago.

Earnings beginning to turn around

The big thing Air Canada has going for it right now is that its earnings are starting to turn around. They haven't yet reached the point of positive net income, but they're getting there. In the [most recent quarter](#), Air Canada delivered the following:

- \$2.7 billion in revenue — up 30%
- A \$500 million operating loss — improved from \$1 billion
- \$22 million in EBITDA — improved from -\$728 million
- -\$1.38 in EPS — improved from -\$3.91

It was a solid improvement. The airline wasn't profitable in Q4, but it was moving in that direction. It will, of course, take much more progress for Air Canada to hit its goal of reaching 2019 revenue levels by 2023. For that to happen, AC will need to make continued progress in growing its revenue. In the next section, I will provide a plausible reason for that to happen.

COVID-19 pandemic waning

One major reason why Air Canada could continue growing its revenue is because the COVID-19

pandemic is waning in Canada. As of March 5, 81% of Canadians were fully vaccinated, and 85% had received at least one dose of the vaccine. Cases are trending down nation-wide. Just yesterday, Ontario reported no new COVID deaths for the first time in months.

Now more than ever, it's looking like we may finally be turning the corner on COVID-19. That doesn't mean that we are necessarily done with the pandemic forever. As China's recent outbreak shows, things can always take unexpected turns. But with the progress on vaccination, there is reason for optimism that the recent decline in cases will "stick." That would be undeniably bullish for Air Canada.

Foolish takeaway

It has been a [wild couple of years](#) for Air Canada. In early 2020, the stock was flirting with all-time highs, way over \$50. Then when the pandemic hit, it fell all the way to \$12.50. It was a painful time to hold AC. But later, when the vaccines were announced, the stock got a second wind and moved all the way up to \$29. Today, it's down from that level. But if we finally defeat the pandemic, AC stock could again start rising. There is no guarantee that that will happen. But a final end to the COVID-19 crisis would increase the likelihood of it happening.

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