



Will Air Canada (TSX:AC) Stock Touch \$30 by the End of 2022?

Description

After a stellar run in the last decade, shares of **Air Canada** ([TSX:AC](#)) nosedived in 2020 due to the ongoing pandemic. Between January 2010 and December 2019, Air Canada stock gained 3,600%. Currently, it's trading 54% below record highs, valuing the company at \$8.5 billion [by market cap](#).

As international borders were shut in 2020 air travel came to standstill. Air Canada's sales touched a record of \$19.3 billion in 2019 and plunged to \$5.83 billion in 2020. While lockdown restrictions were relaxed in the last year, the emergence of the Omicron variant impacted air travel significantly in Q4 of 2021. So, Air Canada's total revenue in 2021 stood at \$6.4 billion, which is significantly lower compared to pre-COVID-19 numbers.

As most countries are re-opening their economies, pent-up travel demand should positively impact Air Canada's top line in the upcoming quarters. Let's see if AC stock can gain momentum and increase investor wealth this year.

Air Canada reported operating revenue of \$2.73 billion in Q4

In Q4 of 2021, Air Canada [reported operating revenue](#) of \$2.73 billion — an increase of 30% sequentially and 200% higher year over year. Its operating loss narrowed to \$503 million in Q4 compared to a loss of \$1 billion in the year-ago period. However, Air Canada reported an EBITDA of \$22 million compared to a loss of \$728 million in the same quarter of 2020.

Air Canada reported record cargo sales in 2021 that stood at \$1.495 billion compared to year-ago sales of \$920 million.

Its quarterly EBITDA surpassed expectations and turned positive for the first time in seven quarters. The company's cash flow from operations accelerated sequentially, allowing Air Canada to end 2021 with \$10.4 billion in unrestricted liquidity.

Air Canada increased capacity by 26% and continues to manage load factors and yields to improve the bottom line. Prior to the onset of Omicron, ticket sales in October and November touched 65% of pre-

pandemic levels.

Air Canada managed to offset a tepid demand environment by growth in other business lines. Its cargo sales surpassed \$1 billion for the first time last year and touched \$490 million in Q4. Its transformed Aeroplan program also attracted strong billings while Air Canada Vacation bookings rebounded sharply.

The company continues to actively restore its network and ended 2021 with 118 stations, compared to 70 at the start of the year. The average number of daily flights also increased to 665 from 245 in this period.

Is AC stock a buy?

Bay Street analysts expect Air Canada to more than double sales to \$14.94 billion in 2022. Further, revenue might increase by 27% to \$18.94 billion in 2023. Air Canada is also estimated to improve earnings per share to \$1.81 in 2023 compared to a loss per share of \$9.66 in 2021.

So, Air Canada stock is valued at a forward price-to-2023-sales multiple of 0.45 and a price-to-earnings ratio of 13.3, which is really cheap, making it attractive to value and growth investors.

However, the uncertain nature of COVID-19 might drag shares lower if another variant is detected. Analysts have a 12-month average price target of \$30 for AC stock, which is 25% above its current trading price.

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