



Is Air Canada Stock Worth Buying Today?

Description

The shares of **Air Canada** ([TSX:AC](#)) continue to face a strong resistance between the price range of \$25 to \$26 per share. In the last three months, AC stock has tested this resistance range thrice. But it has failed to inch up beyond that due mainly to the lack of any significant, positive fundamental trigger. At the time of writing, Air Canada stock is hovering close to \$24 per share. Before we discuss where the largest Canadian passenger airline company's stock might head in the coming months, let's take a closer at some of its key drivers.

Air Canada stock: Key drivers

After struggling in 2020 and 2021, Air Canada stock has shown some strength this year so far. The stock currently trades with 14.3% year-to-date gains against a minor decline in the **TSX Composite Index**. However, continued uncertainties related to the aviation industry's outlook still make it difficult to predict whether Air Canada stock could continue to outperform the broader market in the coming quarters. For example, it has lost more than 5% of its value in the last couple of months, despite a 1.3% rise in the main Canadian market benchmark during the same period.

Rising geopolitical tensions after the recent [Russian invasion of Ukraine](#) have dimmed the global economic outlook, adding to airline industry investors' worries. Despite signs of recovering air travel demand, these geopolitical tensions could be one of the reasons why the shares of most airline companies, including Air Canada, have underperformed the main stock market index in the last couple of months.

Another worrisome factor for Air Canada could be the recent unfavourable movement in fuel prices. While the oil prices have eased a bit in the last month, they are still trading with nearly 30% year-to-date gains. Air Canada spent about \$1.58 billion on aircraft fuel in 2021. And given the recent surge in oil prices, I expect the Canadian flag carrier's fuel costs to increase further in the near term, stealing its profits.

What to expect from Air Canada's Q1 earnings

Air Canada will announce its March quarter results on Tuesday before the market opening bell. Bay Street analysts expect its total revenue for the quarter to be around \$2.64 billion compared to just \$729 million a year ago. However, the airline company could continue to burn cash in Q1 2022, as analysts expect it to report around \$475 billion in net losses — higher than its adjusted net loss of \$ 450 million in the previous quarter.

Apart from Air Canada's financial growth trends, investors may want to pay attention to its management's comments about the latest trends in its advanced ticket sales and revenue passenger miles during its Q1 earnings conference call this week.

Is Air Canada stock worth buying now?

Last week, Air Canada [informed](#) investors that it flew “more than 100,000 customers in a single day for the first time since early in the pandemic as passenger loads continue to rebound with customers returning to travel.” While several external factors that I've talked about above have increased uncertainties for airline companies across the world, a consistent rise in air travel demand could help Air Canada stay on the path of gradual financial recovery. Given these optimistic signs, Air Canada stock might be an attractive investment for long-term investors, as the air travel demand recovery could help it continue rising.

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Author

jparashar

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