



Is Air Canada (TSX:AC) a Solid Buy Now?

Description

The summer traveling season is finally getting underway. For the first time in over two years, many people are booking vacations that include air travel. That comes as a welcome sign for **Air Canada** ([TSX:AC](#)), but does that make Air Canada a solid buy right now?

The story so far

[Airlines stocks](#) such as Air Canada were among the hardest hit when the global pandemic shut everything down. Part of the reason for that is because Air Canada is reliant on the closure and reopening rules of both the departure and arrival ports.

If either one has restrictions, it causes complications for the airline and, by extension, lowers revenue. Fortunately, with markets now re-opening, Air Canada can begin to talk about growth.

By way of example, in the most recent quarter, Air Canada saw revenue come in at \$2.573 billion. Incredibly, that figure is three-and-a-half times the amount Air Canada posted in the same quarter last year.

So, Air Canada *is* improving, but is it a solid buy *now*?

Despite those incredible gains, Air Canada isn't turning a profit just yet. Overall, the company reported an operating loss of \$550 million in the most recent quarter. While that pales in comparison to the \$1.049 billion operating loss during the same period last year, it's still a work in progress.

While that gap in earnings can be attributed to the pandemic, that doesn't mean that Air Canada isn't doing other things to return to profitability. Specifically, Air Canada is investing in multiple initiatives such as more fuel-efficient aircraft and increasing its cargo capacity.

The loosening of other pandemic-era guidelines, such as testing requirements, will also encourage more travel, leading to improved results. That could make the airline a solid buy for your portfolio — specifically, if you can handle the risk and have a longer timeline.

Final thoughts

There's no doubt that Air Canada can return to profitability. The company has a superb management team and plenty of experience navigating a cost-cutting environment.

To that point, Air Canada has already identified areas for improvement. Examples of this include the existing order for more fuel-efficient A321XLR aircraft and growing Air Canada's cargo business. Both will allow Air Canada to operate more efficiently over the longer term.

In fact, Air Canada recently bumped the A321XLR order to 30 jets from 26 in a sign of confidence over that recovery. Additionally, the cargo business reported a 42% increase in the most recent quarter over the same period last year.

Finally, let's talk opportunity. Prospective investors should note that Air Canada is trading down 20% over the trailing 12-month period. That discount could be significant over the long term, assuming the airline's hopes of a turnaround continue to be realized.

In my opinion, while Air Canada is still a volatile investment, there is some noteworthy growth potential that makes it a solid buy.

As such, investors that can tolerate the risk should consider a small position in Air Canada as part of a larger, well-diversified portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. dafxentiou
2. kduncombe

Category

1. Investing

Date

2025/08/13

Date Created

2022/06/09

Author

dafxentiou

default watermark

default watermark