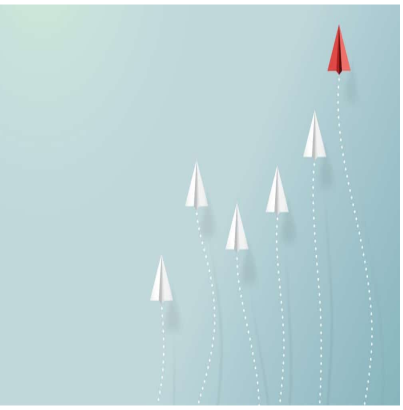

Air Canada Stock: The Wait Could Finally Be Over

Description

For over two years, investors have waited for the opportunity to buy **Air Canada** (TSX:AC). Since the pandemic began, Air Canada stock has been down significantly. At its worst point, AC was down nearly 75%. The best recovery is to a roughly 37% decline from its pre-pandemic price.

The stock has faced significant headwinds, including the multi-year pandemic and now rapidly rising inflation.

Because of these challenges and all the capital it had to raise throughout the pandemic to stay afloat, the stock hasn't been worth investing in for the last few years.

However, as travel rapidly recovers and airlines continue to work through these growing pains, Air Canada stock could finally be worth an investment.

So what should investors watch for in the coming weeks? And at what price does Air Canada stock become a no-brainer buy?

Airlines continue to recover

Amid the rapid recovery in demand for travel from both consumers and businesses, many airliners such as Air Canada are experiencing growing pains.

Many airlines are woefully understaffed heading into this period of rapid demand growth. Shortages in the critical infrastructure needed, such as airport workers and air traffic controllers, were some of the main causes of flight delays and cancellations.

Furthermore, Canadian airliners have been impacted by pandemic restrictions that have remained in place. However, with those restrictions set to be lifted on October 1 and because the industry has now made significant strides to ramp up capacity, Air Canada stock could finally have a long runway to recovery.

Already in the second quarter, we saw a 375% jump in revenue year over year, the largest recovery in a single quarter for Air Canada so far. Unsurprisingly, that $4 billion in revenue was the closest Air Canada has come to its pre-pandemic operations, with sales growing to almost 89% of pre-pandemic levels.

So as sales finally recover and the table is set for Air Canada's profitability to recover, the stock could finally be worth an investment.

But how high can Air Canada stock go, and at what price does it become a no-brainer buy?

Is Air Canada stock worth a buy today?

As of Wednesday's close, Air Canada stock was trading just under $18 a share. That gives the stock a market cap of over $6.4 billion and an enterprise value of $14.3 billion.

Now the stock is not expected to earn a profit this year. The slower recovery at the start of the year and the higher costs it had to deal with throughout the year have certainly impacted its profitability. Nevertheless, recovery on the top line has been promising, and the stock is expected to earn a profit next year. Canada's flag-bearing carrier is expected to continue its significant recovery into 2025.

So with the stock trading at just $18 a share, it currently has a forward price-to-earnings ratio of more than 16 times. That's not too high, but it's also nowhere near a deal just yet.

However, because analysts expect Air Canada's profitability to skyrocket in 2024 and 2025, Air Canada stock could still be worth an investment. Right now, it trades at just 6.4 times expected 2024 earnings, a much more compelling valuation.

Furthermore, in 2024, Air Canada is expected to earn nearly $1.1 billion in free cash flow, which would be crucial to start paying down some debt and improving its financial position.

So, for the time being, Air Canada looks like it's finally on the verge of becoming one of the best investments you can make. There is still some uncertainty, and much of its valuation is tied to its ability to earn a profit over the coming years.

However, should Air Canada stock continue to recover and execute well, the stock could offer significant upside over the coming years, particularly if you can buy it even cheaper than where it trades today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

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

PP NOTIFY USER

1. cleona
2. danieldacosta

Category

1. Investing

Date
2025/09/08
Date Created
2022/09/29
Author
danieldacosta