



3 Things to Know About Air Canada Stock After Earnings

Description

Air travel was one of the industries most affected by the pandemic. This brought **Air Canada** ([TSX:AC](#)) stock to its knees and placed the whole industry into turmoil. Today, two-and-a-half years later, Air Canada reported an operating profit for the first time since the pandemic started. Here's what we should know about Air Canada stock after its third-quarter earnings.

Airliners like Air Canada are finally showing signs of life again

In Air Canada's third-quarter results, there was a lot to be excited about. Huge losses gave way to sharp increases in traffic, revenue, and operating earnings. For example, revenue of \$5.3 billion was two-and-a-half times higher compared to last year. Also, operating income of \$644 million represented the first quarter of positive income since the pandemic began. In a way, it feels like we're coming full circle.

However, a [recovery to pre-pandemic levels](#) was never a given. We could only hope that air travel would return to normal. But there was always the possibility that things could permanently change as a result of those long years of the pandemic. And this is just what happened.

Travelers have changed. The economy has changed. The once very profitable industry is now being weighed down by higher fuel prices, inflation, and the possibility of a recession. While consumers were aggressively spending on all things before the pandemic, they are increasingly reining it in. This foreshadows lower traffic, lower demand, and lower profits for Air Canada.

But maybe things are changing for the better. Air Canada is operating at 79% of 2019 capacity, yet it has recovered to 94% of 2019 revenue. Air Canada's operating margin in the quarter was 12.1%. This is a strong showing and it reflects a few things. Firstly, Air Canada handled the more than 80% rise in fuel cost really well. It also reflects the popularity of Air Canada's new premium offering. This premium offering includes a larger seat, extra legroom, and a larger screen. Maybe the pre-pandemic ways were never sustainable.

Yet Air Canada's stock price continues to disappoint

In October, Air Canada's stock price has risen almost 13%. This is a good performance, but considering that it's down 25% in the last year, it leaves me with some questions. If, in fact, investors believed in Air Canada's recovery, would the stock not have risen more after its strong third-quarter results?

Back in 2019, Air Canada stock was closing in on \$50 toward the end of the year. It was climbing full steam ahead, as the airliner was benefitting from record demand and low fuel prices. Today, Air Canada's stock price is trading at less than half this level. While the business is arguably shaping up to be stronger than it was pre-pandemic, the macro-economic environment is a real thorn in Air Canada's side. The global economy is at risk, as interest rates and inflation are both going in the wrong direction. This will absolutely be felt by the consumer, and as this happens, we will see discretionary expenditures, such as travel expenditures, fall.

So, I think we'll have to wait a little longer before the good times return to Air Canada stock.

Business travel may not get back to pre-pandemic levels anytime soon: Some say not before 2026

Business travel was always the driving force for Air Canada's revenue and profits. It was the booming segment of the travel industry that showed resilience and predictability. Today, this is no longer the case.

While leisure travel has been coming back with a vengeance this year, business travel is lagging behind. Have companies reconsidered their propensity for travel? Are they making the necessary decision to cut back because of the looming economic pain? Probably.

In the same vein, consumers are also struggling with the macro-economic environment. This has translated into many travelers combining business trips with personal trips, effectively reducing total trips. The bottom line is that the general feeling in the market is favouring thriftiness. It can be expected to hold back Air Canada stock, as the airliner stages its recovery.

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. karenjennifer
2. kduncombe

Category

1. Investing

Date

2025/09/08

Date Created

2022/10/31

Author

karenjennifer

default watermark

default watermark