Air Canada Stock Could Take Off in 2023: Should You Board Now?

Description

Air Canada (TSX:AC) has been among the worst-performing large-cap TSX stocks over the last three years. Much like other stocks, it fell dramatically during the March 2020 COVID-19 market crash. Unlike other stocks, it didn't really recover. It has risen about 64.1% from the lows, but it's still closer to the March 2020 low than it is to the January 2020 high. This is in contrast to banking and oil stocks, which have recovered to their pre-COVID levels, and then some.

Many investors who bought Air Canada in early 2020 got burned. However, those who bought the dip did quite well. Today, it's beginning to look like Air Canada is a pretty good buy. In this article, I will explore why Air Canada stock has a good chance of recovering in 2023.

How Air Canada got beaten down

Before exploring why Air Canada stock could rise in 2023, I need to explain how it got beaten down in the first place.

In March 2020, much of Canada locked down as COVID-19 arrived in the country. Travel bans were implemented: many foreign countries were totally off limits, while domestic travel was subject to 14-day quarantines upon entering new provinces. Predictably, travel volumes declined.

The result was a string of losses for Air Canada. For the full year 2020, the company lost $4.6 billion. It followed that performance up with another $3.6 billion loss in 2021. In 2022, revenue started growing. However, oil prices also rose, resulting in Air Canada paying out massive amounts of money on jet fuel. It was a tough time. Right when Air Canada looked like it was walking off its COVID-19 damage, the energy crisis came out of left field, and delayed the company's recovery once more.

Why 2023 could be a great year

As we've seen, Air Canada took a big beating in 2020 and again in 2021 and 2022. It has been a tough time. But today, the company has a solid foundation for a recovery. In 2022, Air Canada enjoys the following advantages:

- Rising revenue
- Falling oil prices
- A regulatory environment in which new COVID lockdowns aren't being discussed

In the meantime, AC stock trades at just 0.47 times sales and 3.15 times operating cash flow. "Operating cash flow" is a measure of cash profits, sometimes used as a substitute for earnings.

What these multiples mean is that AC stock is pretty cheap. If it becomes profitable again, it may start to rise.

Will AC hit the 2019 highs?

It's one thing to note that Air Canada has a good foundation to start rising from, but quite another to say that it will return to its 2019 levels. Before COVID hit, AC was worth over $50. Today, AC has more shares outstanding and more debt than it did back then. A rally back to $50 appears unlikely. However, significant gains from today's prices are possible.

So, should you buy Air Canada stock?

It's hard to say, but it's certainly not the worst stock out there today. Tech stocks are still expensive, oil stocks are trading high relative to where oil prices are, and utilities are getting hit by high interest rates. It's quite possible that AC stock will outperform next year.

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. andrewbutton
2. kduncombe

Category

1. Investing

Date
2025/09/02
Date Created
2022/12/24
Author
andrewbutton