



Does Air Canada Stock Have What it Takes to Double to \$40?

Description

The [selloff](#) of airline stocks due to the COVID-19 breakout was abrupt and sudden. **Air Canada** ([TSX:AC](#)) was hoping to post the 28th consecutive quarter of operating revenue growth in the first quarter (Q1) of 2020. Instead, the company incurred a staggering \$1.049 billion net loss during the quarter to break its pre-pandemic winning streak.

Canada's flag carrier will likely end 2022 with 12 consecutive quarterly losses. However, a turnaround could be on the horizon. For the first time since the pandemic began, Air Canada delivered a positive operating income in Q3 2022. In the three months that ended September 30, 2022, operating income reached \$644 million compared to the \$364 million operating loss in Q3 2021.

Michael Rousseau, Air Canada's president and chief executive officer (CEO) said, "We stand on a robust foundation and, with our most recent financial results, investments and strategic plan, are confident we have a bright future in connecting Canada and the world."

Is the long wait over?

Investors have waited long enough for Air Canada to make a resounding comeback. In 2019, the stock ranked seventh in the inaugural TSX30 flagship program for Canada's 30 top-performing [growth stocks](#). The airline stock's total return for the year was 86.9%, followed by 53.1% and 7.2% losses in 2020 and 2021, respectively.

As of this writing, Air Canada trades at \$19.27 per share, a year-to-date loss of 8.8%. Market analysts covering the stock recommends a buy rating. Their 12-month average price forecast is \$27.07 (+40.5%), but the high price target is \$40 (+107.6%).

Solid Q3 2022 results

Besides the positive operating income in Q3 2022, Air Canada's reported a strong 12.1% operating margin during the quarter. Rousseau added, "We achieved significant improvements in other metrics

from a year ago. Operating revenues more than doubled to \$5.3 billion on capacity growth of 130%.”

Notably, EBITDA (earnings before interest, taxes, depreciation, and amortization) rose year over year to more than a billion (19.9% margin). Rousseau gave credit to Air Canada Cargo for its consistent contribution to the financial results. The airline safely transported about 11.5 million passengers during the quarter, while advanced ticket sales were 95% of Q3 2019 levels.

Other highlights include passenger revenues of \$4.818 billion, representing a three-fold jump from Q3 2021 and 94% of Q3 2019. While Air Canada still posted a net loss of \$508 million in Q3 2022, it was 20.6% lower than the \$640 million net loss from a year ago.

For Q4 2022, management plans to increase Air Canada’s average seat miles (ASM) capacity by 60% compared to Q4 2021 or approximately 85 of ASM capacity in Q4 2019.

Meanwhile, the freighter fleet is continuously growing, with the 767 cargo aircraft reaching seven by year-end 2023. Air Canada also expects the delivery of two 777 cargo planes in 2024. Horse shipments to the U.S., Latin America, and Europe will also be available soon.

Return to profitability

The International Air Transport Association (IATA) expects the global airline industry to return to profitability in 2023. Air Canada’s three-year nightmare could end, and its share price could double to \$40.

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. cliew
2. kduncombe

Category

1. Investing

Date

2025/07/05

Date Created

2022/12/27

Author

cliew

default watermark

default watermark