Air Canada (TSX: AC)

Recommendations

The Fortune Group

- **Recommendation:** I recommend buying AC because its undervalued by 43.6%
- **Investment Thesis**: Air Canadas stock is currently undervalued as a result of the COVID-19 Pandemic
- **Catalysts**: With Canada finally opening up, Air Canada's revenue will begin to pick up
- **Valuation**: Currently $25.50, intrinsic value around $40-$45
- **Risks**: Shareholder dilution, delta strain, and current cash flow situation

Company Background

- Industry: Airline Transportation Services (Industrial)
- LTM Financials: $2.84 Billion Revenue, -$3.72 Billion EBITDA
- Market Cap: $8.54 Billion
- LTM Multiples: 5.41 EV / Revenue; -4.13 EV / EBITDA
- Products:
  - Passenger Travel
  - Transportation Assistance
  - Cargo Transportation
  - Concierge Service
  - Business Check-In

Unaudited (Canadian dollars in millions except per share figures)		Three months ended March 31 2021	2020
Operating revenues			
Passenger	Note 10	$ 395	$ 3,193
Cargo	Note 10	281	149
Other		53	380
Total revenues		**729**	**3,722**

Investment Thesis

COVID-19

Catalysts

Rising Travel Demand

- Loosened lockdown restrictions increase demand for air travel

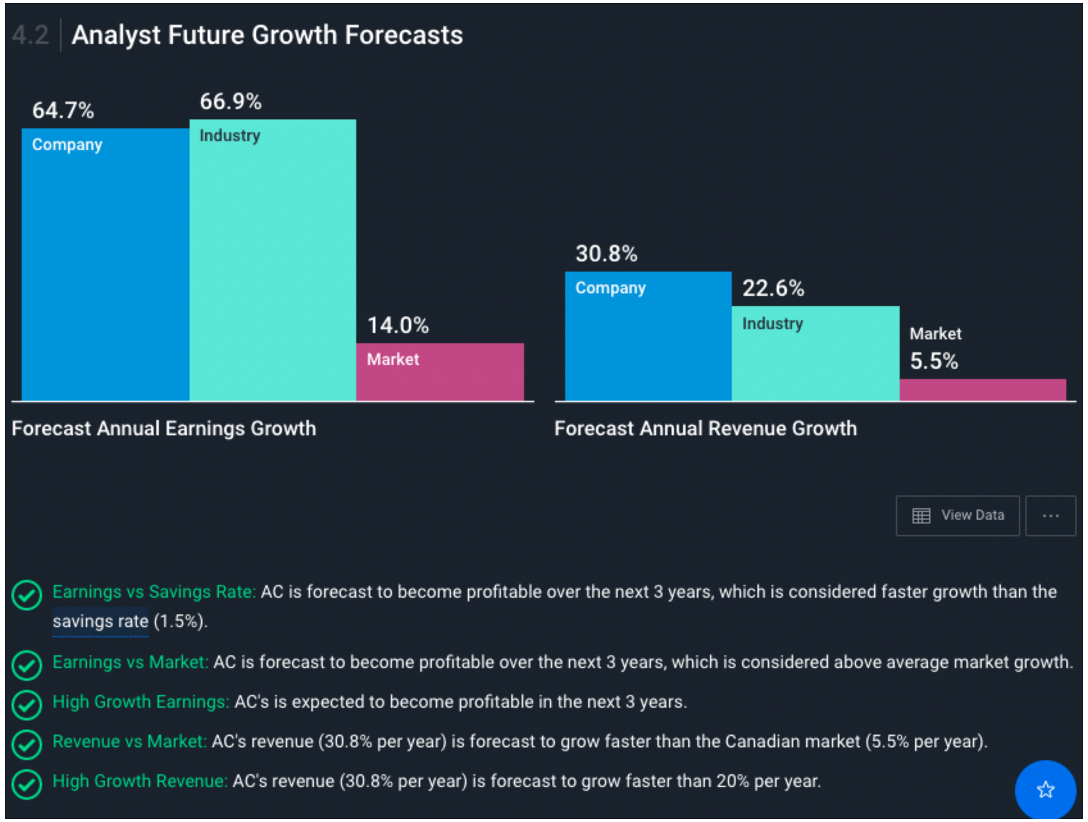
High Liquidity for Recovery Plan

- Debt & equity financing agreement with Canadian Government
- Access up to $5.9 billion in liquidity (on top of $6.6 billion from prevailing Air Canada operations)

Multiple Revenue Streams

- Additional revenue streams through newly improved cargo business

Valuation Summary



Key Risk Factors

Current cash flow does not cover debt

Agreement with the Canadian government includes a lot of conditions

Delta Variant

Shareholder Dilution

Summary and Recommendations

- I recommend buying Air Canada and holding for the next 12 months
- With traveling expected to pick up once the pandemic is over, revenues will return to pre pandemic levels