Air Canada (TSX:AC) Stock Increased an Amazing 86% in 2019

Description

The 2008 recession crippled businesses and enterprises across the board. The airline industry also felt the heat of this recession. Many airlines experienced colossal failures in the stock market. Case in point: **Air Canada** (TSX:AC)(TSX:AC.B).

Its stock was trading in the double digits in 2007 and was still recovering from the bankruptcy of 2003-04. In the wake of the financial tsunami that swept across the world, its stock slumped below $1.

But this is not where the story ends. After two to three years of abysmal performance, Air Canada stock started picking up steam in 2013 with the successful execution of its restructuring plans.

From that point onward, Air Canada has been performing well on the TSX. The stock touched a peak of $50 last month.

2019 has also ended well for Air Canada and its investors. The stock has recorded over 85% growth in the year. When other airlines faced revenue drops and struggled with workers' strikes, Air Canada racked up $19 billion operating revenue, which is 6% more than the last year.

If you had invested $10,000 in Air Canada on the first day of the year, you would have taken $18,780 home on the last trading of the year.

The price-to-earnings (P/E) ratio of Air Canada and the difference between trailing and forward values suggest that investors have not overvalued it. Despite recording such excellent performance in 2019, the difference between forward and trailing P/E ratio is only three multiples. This means the stock is still far from being overvalued and, therefore, faces a lesser risk of market correction.

This year can be tricky

The novel coronavirus has emerged as a threat to the global economy. International airlines are already susceptible to the bullish and bearish trend of the international market, and Air Canada is no exception. Due to the coronavirus outbreak, Air Canada has terminated its flight operations for mainland China and Hong Kong.

If the virus continues to spread, it can affect the Asia-pacific operations of the company as well. This is the reason why Air Canada has already cautioned investors to expect a challenging first half of 2020. The experts are also forecasting that the earning per share of Airline Canada can drop 29.0% year over year in 2020. The airline is also going to register a significant 34% EBITDA drop in Q1 2020 against Q1 2019.

The management expects things to get back on track from the second half of 2020, given that the first vaccination trials for the coronavirus are set for April. If this happens, Air Canada and other carriers can fully resume China operations by the third quarter of the year.

The Boeing 737 MAX is also expected to fly again in the same period. The return of 24 737 MAX planes to the fleet will help Air Canada in improving its load management and decreasing operating costs.

Conclusion

The solid future plans and winning synergies make Air Canada stock a good buy for a long-term holding. The 2021 and 2022 forecasting show that Air Canada can register healthy EPS and sales margin. However, if you want to buy and sell a stock within the year, you should look into other options.

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