



Air Canada (TSX:AC): Now Is the Time to Buy!

Description

Air Canada ([TSX:AC](#))(TSX:AC.B) stock has taken on a brunt of the damage amid the coronavirus (COVID-19) pandemic, with shares falling over 75% from peak to trough over a ridiculously short period. The stock got cut in half twice, and while it could happen again, I think we've reached a point where the risk of missing out on a massive bargain now exceeds the risk of additional near-term losses.

Air Canada: A historic decline now in the rear-view mirror

Back in December 2019, before Air Canada stock fell off into a tailspin, I'd urged investors to sell the stock, citing valuation concerns. Then in January, I named Air Canada my top stock to sell amid the coronavirus outbreak, a growing concern that was largely being shrugged off by investors at the time.

"While there's no pandemic yet, one can only expect that many casual travellers are poised to postpone travel plans to minimize their risk of contracting a virus that we still know very little about." I said back in January. "[Air Canada is] hardly an expensive stock, but given shares have traded in the single-digit P/E range in the past and new risks have introduced themselves in recent weeks, shares could see a sudden reversal of momentum over the near term. As such, I'd urge investors, even long-term thinkers, to avoid the stock for now, as a far better entry point could be on the horizon."

With shares now trading at \$15, with a low single-digit P/E, I think that the "better entry" point has finally arrived, but I don't think it's going to last long, as the sell-off appears to be overblown beyond proportion, even with the recent shuttering of international and transborder flights.

Air Canada stock is a falling knife that could suddenly ricochet

There's no question that there's great uncertainty with Air Canada stock. And while shares are a falling knife, it's hard to take a raincheck on a name that could [lead the upward charge](#) once the COVID-19 pandemic subsides. Canada and the U.S. are doing their best to "flatten the curve," and when we finally get on the other side of the curve, as China has, Air Canada stock could take off like a bat out of hell without a moment's notice.

Amid Air Canada's historic tailspin, many have questioned whether Air Canada was [at risk of going bankrupt](#). In a prior piece, I'd touted that Air Canada was a business that was "too essential" to fail even in a worst-case scenario. Moreover, I'd also noted that Air Canada was much better off financially and operationally than it was before the 2007-08 Financial Crisis.

At the time of writing, Air Canada stock trades at 0.18 times sales, 0.75 times book, and 1.58 times enterprise value/EBITDA. The stock is so ridiculously cheap and seems to factor in some chance that Air Canada will go under — a scenario that I just don't see happening, even if the pandemic were to drag on for another year.

Foolish takeaway

The way I see it, you don't let an otherwise wonderful (and extremely profitable) business go under because of a black swan event that was through no fault of the company itself. As such, I see Air Canada as being first in line to get a lifeline from the government should it ever require one.

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