



## Market Crash: 3 Massive Reasons to Buy Air Canada (TSX:AC) Stock Right Now!

### Description

Back in December, I [warned](#) investors to steer clear of **Air Canada (TSX:AC)**(TSX:AC.B) stock on valuation concerns. On February 14, I rang the alarm bell on Air Canada, citing the stock's still unreasonable valuation and the severely-discounted threat of the coronavirus, which was rapidly spreading across Asia at the time.

I was one of the biggest Air Canada bears in the months that preceded Air Canada's epic collapse. As it turned out, I wasn't bearish enough, as shares imploded, falling as low as \$12 and change before bouncing back slightly.

Many Air Canada shareholders were shrugging off the coronavirus at the time — and got burned because of it.

Just a few weeks ago, I changed my tune on Air Canada stock, and now I'm one of the name's biggest bulls. I've been urging investors to start buying the [oversold](#) stock that's been cut in half twice (75% peak-to-trough fall).

Today, I have three top reasons for why you should initiate a starter position today as you look to add on the way down:

## A much better (and cheaper) airline than it was before the 2007-08 Financial Crisis!

Many investors see Air Canada (and other airlines) as implosions just waiting to happen in the face of an economic downturn. With Air Canada stock currently down over 70% from its peak levels, it seems as though the airlines are still uninvestible despite past efforts to improve their economics in times of turmoil.

As such, many investors will continue to be reluctant to bite on their single-digit P/E multiples when times are good, and profits are surging.

Had we entered a structural cyclical downturn and not a pandemic-induced implosion, I'd bet that Air Canada and its peers would have held their own a lot better than in the Great Recession.

The airlines are not only more efficient with day-to-day operations; they'll stand to be significant beneficiaries of modern aviation technology, with more fuel-efficient aircraft that will make the airlines more economical through good times *and* bad.

Still, Air Canada stock is trading as though the last few years of efforts to improve upon operations meant *nothing*. The operational improvements will mean a great deal over the long haul, and they'll pay major dividends after this pandemic appears in the rear-view mirror.

## **Air Canada stock will benefit from the oil crash**

The breakdown of OPEC+ and the start of a Saudi-Russia price war sent oil prices tumbling to 18-year lows. The pressure facing the oil sands is now immense, and it's been spreading across the broader Canadian economy.

With oil prices as low as they are, Air Canada will stand to benefit from lower jet fuel prices and in a "lower for longer" environment (where WTI remains at US\$20 for the long haul), we could see fuel expenses account for substantially less than 20% of total costs.

Sure, Air Canada has hedged itself against rising fuel prices with calls in the past, but of late, the hedging program has been slowing down, which bodes well for the company's longer-term economics.

## **Pent-up demand could send revenues skyrocketing in early-2021**

Finally, I suspect air travel will pop when this COVID-19 ordeal is in the rear-view mirror.

While the coronavirus will leave behind a nasty recession, I suspect that sufficient fiscal stimulus could dampen its severity.

Moreover, those who've been putting off their travels are likely itching to take to the skies once it's safe to do so. Many Canadians will have a strong desire to visit family after months of self-isolation and kids will still be owed their trips to Disneyland. As such, I expect the airlines to make up for lost time once this pandemic is over.

Stay hungry. Stay Foolish.

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## Date

2025/07/02

## Date Created

2020/04/03

## Author

joefrenette

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