



Air Canada (TSX:AC): A Top Stock for Millennials to Buy and Hold for the Next 20 Years

Description

If you're a young investor like a millennial, you should seek to [take risks](#) on a name as [turbulent](#) as **Air Canada (TSX:AC)**. Millennials have decades to make back anything lost in such a volatile investment. But, most importantly, they have the time horizon to hold for years, if not decades, for the cyclical recovery that will inevitably present itself after this unprecedented global economic collapse.

Air Canada: fit for a risk-taking millennial

After a more than 75% decline from peak to trough, Air Canada appears as speculative as ever. While it is nearly impossible to get a precise gauge of the stock's intrinsic value at a time like this, I believe that nibbling gradually over the next year will allow investors to capitalize on what could be a very sharp and sudden correction to the upside.

You see, when a stock crashes, it tends to overextend to the downside, as investors herd together in a rush to the exits. Moreover, given the difficult-to-value nature of the airline, it's tough for many investors to justify getting in at any level. The airlines were falling knives that hurt many "heroes" during the Financial Crisis.

And with the memory of the catastrophic implosion and L-shaped recovery in Air Canada stock still fresh on the minds of investors, I think it makes sense to dollar-cost average over time with the belief that the stock could crater further.

The stock halved twice, and it can easily halve once again should a coronavirus resurgence spark another wave of lockdowns in the latter part of this year. It's impossible to know when a name like Air Canada has bottomed.

Fortunately, for millennial investors willing to hold for the long haul, it doesn't matter where the bottom is. A dollar-cost averaging approach could allow one to average a cost basis that would look severely depressed in the grander scheme of things.

For young, risk-tolerant investors, it's all about short-term pain for long-term gain. And Air Canada stock is a play that I view as custom-tailored for millennials seeking to build substantial wealth while taking on a magnitude of risk that their Baby Boomer parents probably wouldn't have been able to.

Air Canada is going to rise out of this crisis quicker and stronger than ever

Despite the turbulent times, I find it unlikely that Air Canada will fall as hard as it did during the Great Recession. Why?

First, the airlines are much more operationally efficient than they were over 12 years ago. They're more economical businesses, and Air Canada in particular is far more liquid than it was back in the mid-2000s.

Government-mandated travel restrictions put the airlines at ground zero of this crisis, and they're arguably in a worse environment than they were back in 2007-08. The only difference is that the airlines themselves are better geared to survive and recover from this event-driven disruption.

Just because revenues are going to tank for a few quarters does not mean that Air Canada is going to have to gut its operations and start from scratch. The initiatives made to improve the underlying economics of the airline business will still hold come the next bull market. That means Air Canada isn't going to remain in limbo for as long as did following the financial disaster of 2008.

Second, Air Canada is more liquid than in 2008. And it's going to be even more liquid come the next economic downturn. Why? I believe this is a lesson learned for the airlines and that excessive share repurchases will be replaced with "rainy day funds" akin to the float of an insurance business given the fickle, economically sensitive nature of the airline business.

Foolish takeaway

If Air Canada is going to get bailed out again, I highly suspect it's going to be the last time.

Air Canada has become far more investible over the years — a trend I suspect will continue for the years and decades to come. So, if you're a millennial with decades to invest, now is as good a time as any to get into Air Canada while its ticket price is dirt cheap.

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