TFSA Investors: Should You Buy Air Canada (TSX:AC) Stock?

Description

A seismic shift is underway in the global airline industry after the COVID-19 pandemic, which grounded the majority of planes and forced airlines to seek government bailouts.

According to industry experts, a long shakeup lies ahead that is set to touch almost every aspect of flying after governments relax travel bans and people are ready to travel again.

“We should be prepared for a choppy, sluggish recovery even after the virus is contained,” **Delta Air Lines** CEO Ed Bastian said in a letter to employees this week. “I estimate the recovery period could take two to three years.”

In this uncertain situation, investing in airline stocks such as **Air Canada** (TSX:AC) will be an extremely risky bet. But if you’re a young investor with a TFSA limit to invest, picking Air Canada stock could be a very profitable bet over the long run in the next, say, five years.

Air Canada, which was the best-performing airline stock until mid-January, has suspended most international flights until June due to the COVID-19 pandemic. That means more than 160 Air Canada routes are suspended, as closed borders and vanishing travel demand continue to ravage the airline industry.

But I can’t imagine a situation where we stop visiting all the beautiful places in the world or permanently shun countries and cities where our friends and family members live. At some point — hopefully in the next year or so — the world will have a cure for this virus, and things will start turning back to normal.

Air Canada stock is a good turnaround bet

Billionaire Bill Gates, who is funding production of the seven most promising ideas for a vaccine, says the one could be ready in the next 12 months. “If everything went perfectly, we’d be in scale manufacturing within a year,” Gates said on CNN’s *Fareed Zakaria GPS*. “It could be as long as two years.”

If we have that sort of time frame in our mind, then this is the right time for TFSA investors to start buying Air Canada stock, which is close to its rock-bottom level. Trading at $18.24, it has fallen more than 60% this year. After hitting a $9.26 low on March 18, it has more than doubled.

With a potential economic recovery starting late this year, one other factor that should help Air Canada in this tough time is the company’s management, which has the vast experience of turning around the airline in the past decade.

Just before the crisis hit, Canada’s flag carrier posted record revenues and record liquidity. Indeed, since emerging from court protection from its creditors in 2004, the Montreal-based carrier had gone from industry laggard to one of the world’s top-performing airlines.

“The agility and consistency we displayed in 2019 gives me the confidence that we will successfully execute on the several key opportunities before us,” Chief Executive Calin Rovinescu said in February, as Air Canada reported a year-end profit of $1.48 billion.

Bottom line

If you’re a long-term TFSA investor and looking for opportunities amid the stock market selloff, and you believe that the COVID-19 outbreak will pass without long-lasting economic damage, then Air Canada is one stock you should consider having in your portfolio.

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