BUY ALERT: Top Reasons to Buy Air Canada Stock Right Now

Description

Air Canada (TSX:AC) — the largest Canadian airline — is set to hold its annual shareholders' meeting on Thursday. Its stock has seen a massive 62.1% value erosion in this year so far. Meanwhile, the **S&P/TSX Composite Index** has lost 9.3% year to date. The ongoing global pandemic has taken a big toll on airline investors' sentiments across the world. To me, it seems funny how everyone is obsessed about how the COVID-19 outbreak will prove to be disastrous for the airline companies. In fact, some people even argue that the airline stocks could potentially turn billionaires into millionaires. However, I see an excellent buying opportunity in this airline stock right now. Let me explain why.

Stop blindly following Warren Buffett

Many investors tend to look up to notable investors and try to follow their strategy without putting their minds to it. Last month, Warren Buffett — arguably the world's greatest investor of our time — revealed that his investment firm **Berkshire Hathaway** has dumped all its airline stocks. He called his investment in the airline industry a mistake.

Some novice investors trust him so much that they think Buffett can't ever go wrong. Well, such investors should carefully examine Buffett's big blunders in the past — especially with his investment approach in tech and airline industries. The fear of the pandemic's negative impact and how it has changed the world drove Buffett's decision to offload all his airline industry holdings.

I agree that the COVID-19 outbreak has and could continue to change the way people live, work, and travel. It is possible that many businesses are going to reduce their employees' work-related travel and allow them to work remotely.

Nonetheless, it is senseless to believe that people will not have reasons to travel, or airlines will not have enough demand as the pandemic subsides. If more people start working from home, then it's very likely that most of them would want to travel for vacations and holidays with their families. Being able to work remotely also gives people the freedom to travel more. A rise in such demand could help airlines offset the negative impact of reduced work-related travel.

Also, there's no reason to believe that the pandemic could sustainably hurt air cargo demand.

Air Canada is on the right track

On May 22, Air Canada announced its abridged summer flight schedule, which primarily focuses on benefiting from a possible rise in leisure air travel demand. The flag carrier has implemented CleanCar+ biosecurity program to ensure customer safety. It's also offering new flexible cancellation options to its customers. With the offering, the airline is giving its customers a choice of about 100 destinations in Canada, the U.S., and around the world.

Air Canada's freight division has operated over 1,200 cargo-only flights since March. And it is willing to add additional all-cargo flights as the demand rises. On May 27, the airline announced the plan to expand its cargo-only network and added five new destinations in Europe and South America. These measures will better prepare Air Canada for the post-COVID-19 world.

Foolish takeaway

Analysts expect Air Canada's revenue to showcase a rapid recovery starting from the second quarter of 2021. I believe most analysts are over pessimistic about the negative impacts of COVID-19 on the airline industry — mostly for the reasons that I discussed above.

During its annual shareholders' meeting later this week, Air Canada's management could try to regain investors' confidence by outlining its post-pandemic strategy, which could trigger a rally in its stock price. While I don't deny the fact that COVID-19 has made it very difficult for any company or analyst to give accurate forecasts, I still find investors' fear about the pandemic's negative impact on the airline industry is overrated. If your risk appetite allows, then you should definitely consider buying Air Canada stock right now.

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