



Air Canada (TSX:AC) Stock: 100% Gains Could Happen in 2020!

Description

Once an [exemplary growth stock](#), **Air Canada** ([TSX:AC](#)) now represents one of the most common fears that people who don't believe in stock investment have. It's a fact that the airlines can't control how external factors control the movement of the broader market. Although it was formerly a sound business and a fantastic stock, Air Canada has been practically shredded because of the pandemic.

While the company isn't at fault here, it's suffering nonetheless. How long is this expected to continue, and can the company get back on its "wings" enough to alleviate some of the sufferings of its investors?

Possibility of 100% gains

Air Canada is currently trading at \$16.2 per share at writing. It's up 33.4% from the lowest valuation in March (\$12.15). At its best, the stock reached \$23.39, which resulted in a 92% gain. If the stock had pushed just beyond the \$24.3 mark, Air Canada stock would have gained \$100%. But if we set the benchmark at the current price, \$16 per share, the stock will have to grow to \$32 for 100% gains now.

That's a relatively hard mark to hit for the company in its current situation. Even now, when travel restrictions are easing up a bit and the airline is flying at nearly full capacity, the company can't seem to attract investors.

Air Canada has also improved its liquidation and accumulated a sizeable cash pile to keep the lights on for as long as possible. Still, the stock isn't reflecting the assurance that company management might feel for its survival.

The company is currently struggling with the refund situation. If it's forced to pay people off, it will deplete its cash reserves substantially. It will then potentially prove too challenging to stay afloat without government intervention. If it comes to that, the chances of Air Canada's stock returning 100% gains this year will be close to zero.

On the other side of the spectrum is the hope of a vaccine and fears of a second wave dying down. If people feel comfortable travelling again and demand rises, the company may start generating enough

operating income to stay afloat, and possibly ahead of its debt. That is likely to restore investor confidence.

If a buying frenzy initiates, we *may* see Air Canada stock hitting \$30, but [pre-pandemic](#) valuations are too hopeful for 2020.

Foolish takeaway

Currently, the country is rebounding from the impact of the pandemic itself, not the financial blow it has dealt with. That's likely to be much more long-lasting, and will have long-term effects that will harm the company for a very long time.

The travel activity may regain lost ground if people aren't afraid to fly anymore because of the virus — but not as much as previous levels because of job and business income losses instigated by the pandemic-driven recession.

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