



Could Air Canada (TSX:AC) Stock Make You Rich in 10 Years?

Description

Air Canada ([TSX:AC](#)) was once a darling stock on the **TSX**. An investment in July 2010 (at \$2.45) would have returned nearly 2,000% if you sold it at its peak in early January 2020. Investors who have held the stock through its recent decline would still have a nice 552% gain on the books.

Yet, the 2020 COVID-19 crisis has drastically altered the thesis for Air Canada stock. It has seen its flight volumes cut by almost 90% due to travel restrictions and strict quarantine measures. As a result, it has had to lay off half its work force, raise significant debt/equity, and drastically reduce its route coverage.

Can Air Canada stock make you rich?

Considering this challenging environment, investors need to realistically ask, can Air Canada stock still make you rich?

Unfortunately, it is a bit of a coin toss. On the one hand, if a vaccine or treatment for COVID-19 were quickly discovered, this stock would likely see a significant rally. Yet, by its own admission, in a best-case scenario, it would still take two or three years for operations to recover to 2019 volumes.

If you want to buy this stock now, you need a very long time horizon and a strong conviction about the world recovering quickly from the pandemic crisis.

Air Canada is just too risky right now

However, on the other side of the coin, there are significant headwinds that could challenge Air Canada's stock for months, if not years.

Only a few days ago, [CTV News reported](#) that at least 26 flights in Canada had passengers with COVID-19 cases over the past two weeks. These were not necessarily Air Canada flights; however, it demonstrates that demand for air travel could be muted as long as COVID-19 presents a threat to

passenger health. For many people, domestic travel, and especially international travel, is just too risky right now.

Overall, Air Canada has far too many risks beyond its control to make it an investment worthy stock right now. Perhaps that might change if a vaccine is discovered and distributed quickly; however, [that is pure speculation](#).

This stock can realistically build your wealth

Rather than speculate on Air Canada, I want to own stocks that have tangible capacity to increase my wealth. One stock that I believe can do this is **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)). It is one of the world's largest managers and operators of alternative assets.

Like Air Canada stock, BAM has demonstrated strong returns over the past 10 years. Not including dividends and spin-outs, it has returned over 323% for shareholders. Management believes it can duplicate or even better those returns over the next decade. Here is why.

First, lower-for-longer interest rates mean BAM should see significant growth in its fee-bearing capital. Historically low bond yields no longer meet institutional income targets. As a result, high-yielding assets like real estate, infrastructure, renewable energy, and distressed debt are increasingly attractive alternative investments.

Second, BAM gets a carried interest in the profits from the funds that it manages. BAM has the flexibility to take profits when it sees fit, so it can capitalize whenever pricing is best. Right now, it has \$3.2 billion of accumulated unrealized carried interest. As its fee-bearing capital grows, so should its carried interest.

Lastly, I like BAM over Air Canada stock, because it has the balance sheet to actually invest in growth. BAM has \$15 billion in cash and \$46 billion of deployable capital. It has the scale/expertise across the globe to efficiently deploy capital into assets, wherever and whenever value arises. It capitalized in the 2009 financial crisis, and it has an even more diversified platform to do the same now.

The bottom line

Unlike Air Canada, BAM can control its destiny and grow its business in good or bad economic environments. I would much rather trust BAM to build my long-term wealth than speculate on Air Canada stock today.

CATEGORY

1. Coronavirus
2. Investing
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