



Here's a Chilling 10-Year Prediction for Air Canada (TSX:AC) Stock

Description

Air Canada ([TSX:AC](#)) management, while commenting on their first-quarter results, stated that the company believes it would be able to reach its pre-pandemic levels in about three years. Until then, the airline will keep flying at a fraction of its total capacity. And though it seems very realistic, it should be taken with a grain of salt as it comes directly from the source.

Other estimates by U.S. airlines and aircraft manufacturers also seem to [reaffirm this timeline](#). U.S. airlines have stopped bleeding as profusely as before, but they are still not hopeful about the regular flight operations resuming anytime soon.

Air Canada's dark future

Air Canada has plugged a lot of its bleeding, consolidated supplies, and limited its operations down to minimal levels –all of that to prepare for a dark, cold future of low traffic and diminishing travel demand. But how long can the company really hold out?

If travel continues to be limited, the bulk of Air Canada's leisure travellers will refrain from travel for a very long time, and the international travel will remain limited. Thus, Air Canada might not reach its pre-pandemic levels for a decade.

While it might seem too pessimistic an outlook, if there's one consensus among airlines and associated businesses, it's that international travel will continue to suffer far longer than domestic travel.

That's where Air Canada is weak — and has fallen a few stops more since it slashed 30 of its regional routes. The company already leans more toward international travel than domestic. If it keeps alienating local travelers like this, driving them toward other airlines, it might weaken its local position even further.

Another factor that may play an essential role in deciding the future of Air Canada is whether the company will need government help.

If it does, and the government's aid comes with a few constraints, the company might not be able to reach a robust valuation or growth pace. As it did in years before the pandemic, it might be a decade before the company is on a strong enough footing.

The current state of the stock

The stock is currently trading for \$16.33. The stock is continuously going down. It's currently 30% down from its monthly peak, which also happened to be the highest point in the stock's valuation ever since the crash in March.

The stock might be even more in trouble, as more flights with potential causes have been identified. Out of 27 flights that have been identified, 11 are from Air Canada. It includes both international and domestic flights.

This is understandable given that the virus hasn't died out yet, and air travel is still one of the most potent venues for transmission, regardless of what safety measures have been taken.

Foolish takeaway

There is still a [ray of hope](#). If a vaccine is developed and disbursed and starts showing promising results by changing new cases and fatality trends, it might fight away the fear people have of flying and air travel.

And while it may not magically boost Air Canada's position, it will start nudging the company in the right direction.

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