



Here's What Air Canada (TSX:AC) Will Be Worth in 5 Years

Description

Air Canada ([TSX:AC](#)) is worth its weight in gold. Even today, when the [stock price is so low](#). That is, if you bought it at the right time.

The last decade has been crazy for this stock — and even longer if you look at its downfall. The company was racked with debt, needing bailouts just to make ends meet. The stock price sunk down to under \$1 per share back in 2012, and the word “bankruptcy” started creeping through the headlines.

But, as you know, things didn't stay that way. If you had bought that share price of \$0.98 back in 2012, you would still be laughing today. In fact, you could even be a millionaire. If you had purchased 61,000 shares of Air Canada for \$59,780 back in 2012, it would be worth a whopping \$1,006,500 today.

But then there's the flip side. While that would still make you a millionaire, that same 61,000 shares would have been worth about \$3.05 million as the start of the year, before anyone foresaw the impact of the pandemic. So, will Air Canada be able to see another meteoric rise?

History repeating itself

What happened along with the last huge downturn for Air Canada? A huge economic downturn across the world. The Great Recession brought markets to a halt, and this was a huge influence on Air Canada. People simply don't travel when they don't have the money, so this meant the company couldn't pay down its debts.

But as everyone began to fly more and the company had a major overhaul, restructuring, and reinvesting process, there was light at the end of the tunnel. It took several years, but Air Canada got there. That's what many are saying could be the case today.

While this can sound optimistic, let me be clear: it will take years for Air Canada to return to pre-pandemic levels. The company reinvested in its infrastructure, buying up fleets of airlines to bring overall costs down for the long term.

However, the initial cost is still on the books. The company will need to pay down those debts, along with the ones being racked up by grounded flights.

Even with airplanes in the air again, there are likely also to be set backs along the way. With more waves likely in the future, it could mean we see the airline close up temporarily now and again to handle the virus. It could be 2022 before we see some true normalcy again.

Should you invest?

Here's what I would recommend with Air Canada. Now is a great share price if you're looking to buy long term. The company is set up to be around for decades more, as the company that now has about 60% of the Canadian market share in the airline industry. A government bailout would be likely if things really get hairy for a company like Air Canada.

But I don't know about going all-in on Air Canada just yet. I would first wait for another dip before buying, and then simply buy a small stake. Then, around earnings, take another look and see if you're confident in increasing that stake each time. It's important that if you're going to buy up a stock for the long run that you keep an eye on how it's performing.

Bottom line

In five years, I suspect Air Canada will perform similarly to where it was back in 2012, albeit likely not as drastic as it now has the groundwork done to create long-term cash flow. Right now, the company has an earnings per share of 0.29x, yet analysts believe revenue could double in a year.

That could lead to a [huge bump](#). I wouldn't be surprised if the stock reached that \$50 within two years and doubled in the next five if things really heat up.

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