



Air Canada (TSX:AC) Stock: Can You Get Rich From Buying It in 2020?

Description

The answer is yes — if **Air Canada** ([TSX:AC](#)) stock starts growing soon and at a decent enough pace. With Air Canada's current valuation, it won't even need to reach to its pre-pandemic values to make you rich. Currently, it's trading at \$16 per share, and if it reaches \$32 in yearly 2021, you will have doubled your investment in a few months.

The problem is that many “ifs” have to come together in just the right way to get your rich from Air Canada. And there are other ifs as well that can crush its nascent recovery and really run it to the ground this time.

Air Canada's current situation

Currently, the company is limping forward as best as it can in the current situation. The company reduced routes, as well as its workforce, and it is [yet to be seen](#) how these cuts reflect in the company's returns. By reducing so much staff, Air Canada should at least be able to keep its payroll expenditure to a minimum, ideally half of what it was before.

If not, it would mean the workforce reduction wasn't uniform across the board (more low-paid employees were let go).

Air Canada has improved its liquidity and hoarded enough cash to see it through with low operational capacity. Apart from usual cuts where Air Canada would bleed money, there is still a lingering issue of refunds. Out of three Canadian airlines, Air Canada is the only one that's stubbornly clung on to the decision of not refunding fliers whose flights originated in Canada.

Now **Air Transat** has cancelled all its flights from Western Canada to the U.S., and announced that it would refund its fliers. The policy is clear for fliers who had tickets for routes that Transat might not resume in the near future. For routes where alternates exist, Air Transat is offering flight credit. The company has also delayed its Air Canada's takeover.

Can it make you rich?

Air Canada has a glorious past and an unfortunately clouded future. The company still has strict air travel restriction in place that includes quarantine and isolation requirements for travelers. It is preventing many would-be travellers, especially those from Europe, to travel to Canada. Even the European airlines are urging Canada to remove problematic air travel restrictions and safely restore travel.

But the fact that more international flights are coming to the country with the unwelcome gift of COVID-19 (34 in the last two weeks) is likely to keep the Canadian government from offering any leniency about travel restrictions. And until international travel, which generates about 70% of Air Canada's income, isn't adequately restored or is on a certain route to recovery, it might keep on suffering.

Foolish takeaway

Two other factors that can improve or destroy the probability of Air Canada recovering and making its investors rich are a second wave and a vaccine, respectively. If new cases or fatalities start to rise again, the travel restrictions might continue, and the airline, even with all the cost-cutting initiatives in place, will [continue to bleed](#). A vaccine, on the other hand, can improve traveler confidence.

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