



\$10,000 Invested in Air Canada (TSX:AC) Could Make You a Fortune in 10 Years

Description

It might seem overly optimistic to many to consider what **Air Canada** ([TSX:AC](#)) can make you in 10 years when a lot of investors are wondering whether there will be an Air Canada in a decade from now. But while it's a risky bet, Air Canada is still a bet that can help you win big, really big, *if* it pays off.

If it doesn't, at worst, you will lose all your money because the company will go bankrupt, or the shares might be so diluted that they won't regain their pre-pandemic valuations back, even in a decade. Certainly, the company isn't going down without a fight. And if it can get through the current phase, it might reward its investors very generously.

\$10,000 in Air Canada

With the airline industry's current situation, it isn't possible to predict Air Canada's valuation. The company itself set a three-year timeline for its operations, recovering to pre-pandemic levels, and they have a right to be optimistic. Realistically speaking, it can easily take up to five years.

But there are other factors to consider as well — mainly a vaccine and flyer optimism. If a vaccine is discovered and the virus is considered under control, people are bound to get out. And those who have been feeling cooped up for so long, may try and fly in and out of the country. The economic factor would still be a hurdle, and people might stay their hands from recreational spending for a while yet.

Still, if a vaccine is discovered, there is a chance that Air Canada starts operating at its pre-pandemic capacity in two years. But even that is not a guarantee that the stock would follow and reach its 2019 valuation right away.

Let's consider an optimistic scenario. Air Canada reaches its pre-pandemic high in 5 years (\$52 per share), then it grows as much in the next five years, as it did in the last five before the crash (350%). If you invest \$10,000 in it now, you might be sitting at \$112,000 in the next decade. That's equivalent to a compound annual growth rate (CAGR) of 27%.

The pessimistic view

Instead of a vaccine, if another wave of the pandemic hits, things can go [the other way](#). While the company might not go bankrupt, to raise more capital to survive, it might have to brutally dilute its position, and take on even more debt, essentially tying up its future growth potential to a rock and throwing it in a lake.

Or, the government might bail it out, but at what cost? If it decides to take Air Canada back under its “wing,” it might sit well for the passengers, but not so much with the investors.

Foolish takeaway

Air Canada is a risky stock. And though it might sound quite cliché, Warren Buffett’s bailing out on the airline sector, at this time of crises, might be a dark indicator of things to come.

But there is also the fact that Air Canada enjoys a very dominant position in the country, which would only improve once its **Transat** acquisition goes through. So it’s not like most other airlines, making it an investment that might just [pay off big](#).

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