



## Air Canada (TSX:AC) Stock: Will it Go to \$0 or \$50?

### Description

Are all bets off when the investment prospect on the table is **Air Canada** ([TSX:AC](#))? The COVID-19 outbreak is a [total disaster](#) for global airlines. When the World Health Organization (WHO) officially declared a pandemic on March 11, 2020, the stock's descent was fast and furious.

Investors who'd bought shares in late March are shaking their heads in disbelief. Air Canada hasn't gone past the \$25 mark since falling to a COVID-19 low of \$12.15 on March 19, 2020. If some analysts are projecting the stock to climb to \$50, perhaps they have advanced information that a vaccine is coming soon.

However, WHO chief Tedros Adhanom Ghebreyesus said the coronavirus pandemic is not even close to being over. While vaccine development and human clinical trials are underway, Ghebreyesus adds there's no guarantee of success. Thus, it's more likely that Air Canada will sink rather than rise.

### Estimated recovery timeline

Airline companies will either sink or swim as COVID-19 lingers. Atmosphere Research Group, a group of global travel specialists and industry forecaster, says recovery will be a gradual return rather than a fast bounce back. Also, domestic travel will lead at first.

There will be a rebuilding of networks, especially on the international front. Key routes will have a strategic focus on capacity. More so, smaller and more fuel-efficient aircraft (Airbus A350 and Boeing 787) will take flight over bigger aircraft.

Assuming COVID-19 is generally "under control" towards the end of 2019, Atmosphere Research presents an estimated recovery timeline. The first six months (mid- to late 2021) of post-coronavirus travel will see mostly domestic travelers and some business travelers.

Across the eight to 16 months (through to mid-2022), many business travelers, including mid-to high-tier frequent flyers, are the likely passengers. From 12 to 18 months, the industry will see a nearly normal volume of business travelers. By late 2022, it should be as close to the old normal.

At 16 to 24 months, after the world considers COVID-19 under control (end of 2022), leisure travelers will return in volumes, and the industry should reach 80-90% of pre-coronavirus leisure volume. Beyond 24 months (2023), the research group expects travel to be “at or above pre-virus traffic.”

## Same outlook

The estimated recovery timeline is consistent with Air Canada's assessment. According to its president and CEO Calvin Rovinescu, it will take at least three years to get to 2019 levels of revenue and capacity. Likewise, he expects the company to be smaller for a considerable time due to significant reductions in fleet and employees.

## Skip airline stocks

From an [investment perspective](#), Air Canada is not the place to park your money. You will only do so if you have tremendous optimism about the recovery of the airline industry. The price could double, but in three years. Some analysts argue that Air Canada or airline stocks in general are never long-term investments.

I will recommend skipping Air Canada in the meantime. Accept the reality that “normal” travel may not resume until 2023. For the company to be profitable again, the utilization rate must be high. More importantly, passengers should be fully convinced it's safe to fly again.

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