



## Why Air Canada (TSX:AC) Will Be a Top Growth Stock This Decade

### Description

**Air Canada** ([TSX:AC](#)) stock rose 4.18% on August 27. Shares have climbed 4.5% over the past four months but are still down over 60% for the full year. Canada's top airliner has faced its toughest challenge since the aftermath of the 2007-2008 financial crisis. Today, I want to explore why investors should still have faith in its prospects in this decade.

### A familiar feeling: Air Canada caught in turbulence

Investors have gasped at Air Canada's rough performance so far this year. However, it pales in comparison to the struggles it has faced in previous cycles. Indeed, we do not have to look that far back. In the aftermath of the 2007-2008 financial crisis, Air Canada stock plunged into single digits as the broader market sank. The stock fell below the \$1 mark in 2009 and on several occasions in the early 2010s.

At the time, there were serious questions over how top airlines could survive the financial shock. Canada's top airliner had a questionable balance sheet, and for a moment its future was in doubt. Fortunately, the airliner staged a comeback that would see it rattle off record earnings into the late 2010s. Better yet, management committed to bolstering its balance sheet to avoid a potential catastrophe in the future.

Back in May, I'd discussed how investing in stocks at the right time could [yield huge returns](#). A \$10,000 investment in Air Canada stock in the beginning of 2010 would have been worth \$378,000 on December 31, 2019. That represents a return of nearly 3,700%.

### Airlines will inevitably bounce back

North American airlines are still operating under restrictions due to the COVID-19 pandemic. The companies are unlikely to see any significant changes in this area until a vaccine is made available. Fortunately, there has been some positive progress on that front. Several companies have candidates in Phase 3 trials.

Air Canada has put itself in a much better position than the previous financial crisis. It entered 2020 with a very solid balance sheet. In Q2 2020, the company reported that it had liquidity of \$9.12 billion as at June 30, 2020. Meanwhile, it posted an operating loss of \$1.55 billion. In the first quarter, management said that it would likely take three years for Air Canada to fully recover.

## Why Air Canada needs to be in your portfolio today

In June, I'd discussed whether Air Canada was a steal at its [low price](#). Its shares are still trading on the low end of its 52-week range. This is still a stock with high growth potential in the years ahead. However, patient investors may have to stomach some volatility in the first half of the 2020s.

For those willing to wait, Air Canada still offers an attractive growth opportunity. In the 2010s, the company was on the ropes and stormed back to greatly reward shareholders.

Air Canada boasts a much stronger balance sheet to start this decade. Investors will be happy they bought low on this stock after it comes out of the COVID-19 storm.

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aocallaghan

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