



Why Air Canada (TSX:AC) Stock Could Triple in a Year

Description

Air Canada ([TSX:AC](#)) stock fell 1.52% on October 15. Earlier this month, I'd [asked whether investors](#) should give up on Canada's top airliner. Its stock is still trading a few dollars off its 52-week low. Today, I want to discuss why Air Canada could turn things around in the months ahead and reward investors who get in on its shares right now.

Air Canada stock has plummeted during this crisis

The COVID-19 pandemic has spurred governments to pursue restrictive policies. A projected second wave of the virus has caused provinces like Ontario and Quebec to go back to [phase two restrictions](#) in major metropolitan areas like Toronto and Montreal. In the late summer, it looked like Air Canada and its peers may be able to regain momentum. That has been squashed to start the fall.

In July, the company released its second-quarter 2020 results. Predictably, it was hit hard by the huge fall in overall activity. Total revenue fell 89% year over year, and total passengers carried dropped by 96% compared to Q2 2019. Moreover, it posted an operating loss of \$1.55 billion. By the middle of September, Air Canada and WestJet reported that they were forced to cancel over 430 flights. This dashed the hopes for a rebound in the second half of the year.

Still, investors should not give up faith in Air Canada going forward. It is facing major challenges in the near term, but this industry should come roaring back when this crisis abates.

There is still reason for optimism

In the article above, I'd discussed statements from a UBC professors that projected a vaccine would be available in Canada by the spring of 2021. This is the moment airlines and countless others are anxiously waiting for.

Air Canada and its peers have attempted to present alternatives through airport testing, in hopes that the government may rollback the 14-day quarantine for international travelers. So far, those pleas have

fallen on deaf ears. Policymakers have warned that even a negative COVID-19 test is no guarantee. A vaccine appears to be the only hope forward for those longing for a return to normalcy.

Canada's top airliner faced another major crisis a decade ago. It was wrestling with an unhealthy balance sheet and an economy in the throes of the worst recession in decades. Fortunately, it managed to claw its way out of a dire position and finish the 2010s as one of the top-performing stocks on the TSX. In 2020, Air Canada boasts a much stronger balance sheet. It reported liquidity of \$9.12 billion at June 30, 2020.

Should you buy Air Canada today?

Shares of Air Canada last possessed an RSI of 41, which puts the stock closer to technically oversold territory. Moreover, it has a solid price-to-book value of 2.2. Air Canada stock had climbed above the \$50 mark to start this year. The company had achieved record profits and its growth trajectory was promising. That outlook has not been wholly dimmed. Air Canada remains the top player in Canadian aviation. When this industry bounces back in the months ahead, Air Canada will be the biggest beneficiary.

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