



## Alert: Air Canada (TSX:AC) Is About to Lift Off!

### Description

\$14.5 billion: that's the amount of market value **Air Canada** ([TSX:AC](#)) has lost since the start of this unfortunate year. The fleet has been grounded like pretty much every other airline on the planet. However, I believe we're on the verge of a catalyst. Air Canada stock is about to lift off!

### Government bailout

Last week, *The Globe and Mail* reported that the federal government was discussing a bailout of Canada's airlines. Such a [bailout](#) wouldn't be surprising. The government has stepped in and rescued the sector before. It is, after all, one of the largest private employers in Canada.

What's surprising is that it's taken so long for the government to act. In a year where everyone and every business has been bailed out by stimulus programs, it seems odd that airlines have been overlooked. However, the bailout is now on the table and could cancel Air Canada's potential bankruptcy.

### Lean operations

Avoiding bankruptcy will certainly spur the stock, but it's not enough to help investors make any substantial gains. In my opinion, what will drive gains is the renewed long-term efficiency of Air Canada's underlying operations. The airline has cut staff, sold aircraft, and raised fresh funds at lower interest rates.

Meanwhile, the price of jet fuel should remain low for the foreseeable future, as consumption remains below pre-crisis levels. All that should give Air Canada stock a boost when the bottom line improves.

### 2021 recovery

That recovery could start as early as next year. As the second wave subsides and we get closer to a vaccine or implement frequent testing, domestic air travel should quickly recover. I predict a surge in domestic leisure travel could offset the loss of business travel in 2021. Beyond that, international travel

should gradually recover.

However, Air Canada stock could price in this gradual recovery much sooner. That means the next few months may be the perfect time to add the stock to your portfolio before it takes off.

Of course, the ultimate catalyst would be a vaccine. An effective treatment of the illness could rapidly eliminate the need for physical distancing. This could boost the entire stock market, but airlines may be the biggest winners. However, at this point, any talk of a vaccine is purely speculative, so I don't like factoring this into my analysis.

## Bottom line

Air Canada has had a rough year. No doubt the airline industry is not out of the woods yet. However, there are signs that we've turned the corner and things could be looking up. The government has signaled that an airline bailout package could be in the works. Meanwhile, Air Canada has raised cash and reduced costs. This leaner operation makes it more likely to survive over the long term.

In the next few years, we could either have a vaccine or resume domestic air travel while international travel remains shut. Both scenarios are excellent for Air Canada's prospects. In short, the stock could be about to lift off soon.

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