



3 Pros and 3 Cons of Buying Air Canada (TSX:AC) Stock Today

Description

Air Canada ([TSX:AC](#)) continues to be one of the most popular stocks on the **TSX**. Savvy investors are anxious to see if the stock is worth buying, given just how cheap it's trading.

It's no secret that airlines has been one of the hardest-hit industries in 2020. That's why a top stock like Air Canada is trading more than 70% off its highs, seemingly offering investors a wonderful deal.

Is this deal too good to be true, though? Is the stock actually that undervalued and worth a buy now? Here are three pros and three cons of investing in Air Canada today.

Pros of buying Air Canada stock today

The first pro of investing in Air Canada is that investors are gaining exposure to a dominant business with a significant competitive advantage in Canada.

In 2019, Air Canada had almost half of the domestic market share in addition to a massive international business with several global partners. It's proven to be a high-quality investment over the last few years, so when the [coronavirus pandemic](#) finally ends, you can expect a big boost to business.

That leads us to the second pro of buying Air Canada's stock today. The airline industry is of crucial importance. This is noteworthy, because it's unlikely that the government would allow these airlines to continue to suffer without any help. In addition to these companies being crucial to the economy, thousands of jobs are on the line.

There has already been talk that the government is working on a stimulus package, so help could be on the way. That would be a great sign for Air Canada and its investors. Furthermore, the pent-up demand for travel should also help Air Canada and the whole airline industry to have a strong recovery.

The last pro of buying Air Canada is the incredible deal you can get buying the stock today.

Trading at more than 70% off its 52-week high, the stock is at an incredible value. The last time it was

this cheap was in 2016 and 2017. That was right in the middle of the stock's last turnaround. What followed was a 253% increase in Air Canada's stock price over the next 32 months until the pandemic hit at the beginning of this year.

If a vaccine can come soon, and Air Canada can get its business back up and operating, investors could see a rapid recovery just like that again.

Cons of buying the stock today

Of course, any high-quality stock trading as cheap as Air Canada has just as many cons as it does pros.

The first and most important con of buying Air Canada stock today is the uncertainty. There is uncertainty about the vaccine and how long it could take. There is uncertainty about the rules and regulations regarding travel opening back up.

We don't know if having a vaccine ready will even allow air travel to continue again. Will we have to wait for the whole world to be vaccinated if Canada secures a vaccine early? Sure, domestic flights could resume, but that's nowhere near enough.

And because of all these unknowns, we don't know how badly Air Canada's stock will be affected. The stock has already lost more than half its book value since the start of the pandemic. So, putting a future target price on it can become extremely difficult.

The second con also has to do with uncertainty — this time about the potential for a stimulus package I mentioned above. Although support from the government would be ideal, it's unclear what that would look like. The government could decide to offer stimulus designed to save jobs and providing little benefit to shareholders.

It's extremely unclear what support Air Canada will receive, so I wouldn't count on anything until it's actually announced.

Lastly, the third con of buying Air Canada stock today is the potential that you'll be tying up money in an underperforming business. Air Canada has traded range-bound for months now. So, if you have money tied up in Air Canada, and the stock continues to trade flat through the pandemic, you could be missing out on some other [high-quality opportunities](#).

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