



\$10,000 Invested in Air Canada (TSX:AC) in 2019 Would Be Worth This Much Today

Description

Most industries are like machines, where companies and individual businesses play the part of a gear or a cog. Since it's not a mathematically perfect machine, it runs even when some cogs are removed, shrink in size, or stop. But every once in a while, a cog so significant breaks down that its impact is felt by the whole machine. **Air Canada** ([TSX:AC](#)) is a major cog in the travel and tourism industry.

It has already slowed down considerably, and many people wonder whether it will go out of commission. The shadows of bankruptcy are getting longer, and investors are tempted to sell at a loss instead of risking losing everything if the company goes under.

Air Canada and investor losses

When 2019 started, the airline was trading at \$25.8 per share. It was the price the company was hovering around for the past year. But then it shot up, and if you had sold your stake in January 2020, you'd have doubled your investment. And that's when it all went downhill.

If you had invested \$10,000 in Air Canada in 2019, your stake would now be worth \$5,799. And that's if you bought into the company at the beginning of 2020. If you had invested the same amount in the middle of the year (July 1), your \$10,000 would have been shrunk to \$3,689.

That's where the investors of Air Canada are standing now. Nobody knew how thoroughly the pandemic would brutalize the industry. Right now, investors [are contemplating](#) whether they should sell at a loss or keep holding on to the company for the eventual rise and then sell as soon as they are near the purchase price.

Should you buy for recovery?

No. There is no doubt that the airline, even in its current situation, has the potential to double your money, especially if you buy it at its current low valuation. But that probability comes with a very high

risk. And if airlines were too risky a business for Buffett, who could make a killing from their recovery, they might be too risky for us as well.

The only attraction Air Canada has right now is its valuation and the fact that it's still the country's premier airline. But even if the company pulls through without getting help from the government, it would take years for it to recover fully, and maybe longer before it acquires its previous growth rate.

Foolish takeaway

Even if you want to buy for recovery, there might be much safer investments that can offer better returns faster than Air Canada can. It's one stock that should *not* be on your radar right now. A vaccine might change the sentiment around the stock, but it would still be years before the company is operating at full capacity. That is *if* it can survive the onslaught of a [second wave](#).

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