



Air Canada: 21% Liftoff With More Runway to Go!

Description

After an entire weekend of celebrating the U.S. elections, investors had even more to celebrate this morning. **Pfizer** announced that its collaboration with German biotech firm **BioNTech** has delivered a COVID-19 vaccine with 90% potential efficacy. In other words, we could be at the tail end of this historic crisis.

Stocks like **Air Canada** ([TSX:AC](#)) are rebounding strongly this morning, as investors reckon a swift end to our physical-distancing days. Air Canada stock is up 21% as I write this and could surge much higher in the days ahead. Here's why.

Vaccine will unleash international travel

Pfizer's vaccine is the ultimate catalyst for airlines like Air Canada. Not only does this save millions of lives, it also eliminates the need for border restrictions and eases traveler concerns. In other words, people can resume traveling across the world as early as next year.

In fact, if the vaccine is distributed effectively over the next few months, summer 2021 could be one of the best seasons the global airline sector ever has. American airline stocks like **Delta** and **United Airlines** are also surging today based on this thesis. However, Air Canada's position as a market leader and the potential for a government bailout is driving the stock much higher.

Potential government bailout

The federal government is still discussing a potential bailout of Air Canada. Even with a vaccine on the horizon, the government may need to step in and stem the job losses and financial pain over the next few months. That means we could hear of a multi-billion-dollar bailout package any day now.

This morning Air Canada said, “it will put off decisions about suspending even more routes while it talks with the Canadian government about financial aid.” Meanwhile, a statement published on Sunday by Canada’s Minister of Transport Marc Garneau confirmed the ongoing discussions with major airlines. That means a bailout is very much on the table.

Air Canada’s stock valuation

Investors have been severely pessimistic about Air Canada’s prospects throughout this crisis. Even after today’s surge, the stock is trading 62.7% lower than it was in early February. As I mentioned in a [previous article](#), Air Canada stock was trading at barely two times book value per share and 35% of trailing sales per share.

Today’s surge in stock price adjusts for new information, but doesn’t fully price in all this good news. I believe there is still room for investors to bet on Air Canada, as the vaccine and bailout remain months away from implementation.

Bottom line

The vaccine and potential bailout could be the perfect cocktail to unleash value in Air Canada stock. I believe investors haven’t fully priced in all the good news yet, which creates an opportunity for more upside. A bet on Air Canada stock is now far more attractive than it was just last week. This could be the perfect rebound stock for your portfolio.

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