



Air Canada (TSX:AC) Could Soar to \$40 Before the Pandemic Ends

Description

Air Canada ([TSX:AC](#)) is a speculative play that's not everyone's cup of tea. It certainly isn't Warren Buffett's, as he grew uncomfortable holding onto his air travel stocks, as the coronavirus crisis clouded both the medium- and long-term outlook of the ailing industry. There's no question that the airline industry has faces a massive existential threat amid surging coronavirus cases.

The airline stocks have the propensity to crumble like a paper bag at the first signs of an economic downturn. Warren Buffett, who had previously shunned the industry, made a mistake by getting involved just years before the COVID-19 pandemic sent airline stocks into a historic tailspin.

While many airlines, including the likes of Air Canada, were wildly profitable, with more operationally efficient businesses than before the Great Financial Crisis, their survival was no longer a guarantee in the "new normal" that came from out of nowhere.

With COVID-19 headwinds taken into consideration, the airlines suddenly went from a sound value investment to an all-or-nothing speculation on the advent of a timely vaccine that was both safe *and* effective.

A massive breakthrough can change everything

Today, with Pfizer pulling the curtain on its remarkably effective coronavirus vaccine, setting a high watermark for other vaccine developers, Air Canada suddenly became less of a speculation and more of an investment with greater odds of surviving this crisis. Add rapid-test kit advancements into the equation and a case could be made that airline stocks like Air Canada are no longer a speculation but a deep value investment with a multitude of upside and a minimal magnitude of downside risk.

The big **Pfizer** vaccine news sent airline stocks skyrocketing into the stratosphere. Still, there could be much more upside to be had from the ailing air travel plays as the rotation back into COVID-hit names continues going into year's end. For those looking for earnings growth beyond 2021, names like Air Canada, that have solid liquidity positions, are looking too cheap to ignore.

Yes, there remain many [unknowns](#) with regard to the Pfizer vaccine. But there's no denying that the risk/reward has changed profoundly for the airlines following the scientific breakthrough that caught many skeptics by surprise, just days following the U.S. presidential election.

Air Canada: A terrific risk/reward, given the clarity on the vaccine timeline

I described Air Canada as a compelling speculation at \$15 and change for young investors who had a strong stomach for volatility in many prior pieces. In early October, I stated that Air Canada had become investable again due to recent advancements in rapid coronavirus testing that I thought bought the company more time to wait for the arrival of a safe and effective vaccine.

"The advent of rapid-testing kits, I believe, improves the airline's chances of making it out of this pandemic alive and think shares are now more investable than they were a few months ago," I [wrote](#).

With the Pfizer vaccine now in the cards, Air Canada looks more like a must-buy for investors looking to maximize their upside as the world economy looks to heal from this horrific crisis. The recovery looks to be underway and wouldn't at all be surprised to see Air Canada stock surge above \$40 before the vaccine is ready to go and well before it has a chance to pull the curtain on a quarter that reveals evidence of a strong sector-wide recovery.

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Date

2025/08/01

Date Created

2020/11/16

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