



## Air Canada (TSX:AC) Stock: Set for Takeoff or Crash Landing?

### Description

Travel and tourism were two of the worst victims of the pandemic. People were locked in their homes, and they didn't take as many vacations as they would have under normal circumstances. This affected several businesses, and many small ones went under. Even substantial businesses like **Air Canada** ([TSX:AC](#)) took a severe hit.

For Air Canada, it was so bad that most investors and experts believed that bankruptcy is just around the corner. But the company stood firm, and the stock is finally [showing some life](#) and resilience, breaking through the \$20 share price mark recently for the first time since June.

### A permanent or temporary phase?

Even though the stock is up and people are seeing consistent signs of recovery; it might be too early to become optimistic about Air Canada stock's full recovery. The current investor sentiment around the stock is probably fuelled by two positives: Third-quarter results slightly better than the second, and the vaccine. These two things combined have blown new life into the airline stock.

The third-quarter results aren't good — but they're not as bad as the second quarter. Operating income loss is down to \$785 million from \$1.5 billion from the last quarter. That's probably the cost-cutting measures the company took and the staff it laid off, finally taking effect. The airline also did more flying this quarter than it did last year.

The vaccine might not be as readily available, and some people are still skeptical of its effectiveness, but its arrival has been good for most businesses. For the first time since the pandemic, people finally believe that living with the pandemic might not be our new reality and things *can* get back to normal.

Both these things combined haven't just created a positive atmosphere. Still, many investors have probably started thinking that stocks like Air Canada might get back to their pre-pandemic valuations as well.

## Too soon to tell

This is definitely [too soon](#) to make a sure call on Air Canada's prospects as they stand now. Even if Air Canada might offer a good recovery opportunity, especially if you bought it around the time it hit rock bottom, it's still far from its pre-pandemic valuation. And the company and airline business, in general, have lost a lot of investor trust they had acquired in decades.

As per the company's own schedule, it would take at least three years till the company is actually flying at its pre-pandemic capacity. That and the dilution the stock has seen might keep it down for years. It might find a new, lower ceiling to hover around, but the chances that it might reach pre-pandemic valuation on current momentum are low.

## Foolish takeaway

The current life that the stock has shown is amazing for investors that bought Air Canada after the crash. But they may want to hold on to the company and wait to see where the current momentum is taking the stock. Based on how long it will last, it can double many people's money (especially those who bought it at around \$15 per share).

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