Air Canada (TSX:AC) Stock: Are Shares About to Crash?

Description

There are a lot of opinions out there about **Air Canada** (TSX:AC) stock. The company has had a wild decade behind it. It almost reached $0 per share back in 2012, when shares went below a dollar, threatening the company's status on the **TSX Composite**. Then it had a rebound unlike any other.

This came from the company reinvesting in its infrastructure and a new fleet of fuel-efficient aircraft. The company reinvigorated its flight paths, bought back its Aeroplan program, and started the path to acquiring **Air Transat**. It looked like the company couldn't be stopped.

Then came the pandemic, with flights remaining grounded for months. Air Canada stock plummeted from all-time highs to a single-digit share price. Even now, the company is at about half of its pre-crash price.

So, what's more likely for Air Canada stock in the next year? Will the stock double? Or will it completely crash?

The bullish case

It's no secret that a vaccine would be a gamechanger for Air Canada stock. Even now, passengers are starting to use the airline once again. While the company is still going through growing pains, as it changes its services to make sure COVID-19 does not spread further, something is certainly better than nothing.

Once the vaccine is fully available to the public, the company will see revenue soar. That's because the company set itself up to be an efficiency power house, investing for the long term. So, once we have fuel-efficient planes in the air, with Aeroplan customers paying fees, and Air Transat customers onboard, the company will have a 60% market share of Canada's airline industry. This could certainly see shares jump in the next few years at least!

The bear case

But the vaccine will not be available to the public for another year at least. In the meantime, those with immune system deficiencies and the elderly will be first on the list. That means it could be another year at least before Air Canada sees even close to a normal increase in air traffic.

Then there's the company's debt. Air Canada already have about $8 billion in debt because of this reinvigoration program. That reinvesting cost a lot of money, and the pandemic cost even more. At peak it reached over $10 billion, and since then has only come down to $9.8 billion as of its latest earnings report. Meanwhile, revenue is still down 50% year over year, and doesn't look like it will improve by much. So, with more earnings reports between now and a year or so, it's likely shares could drop once again. Especially with new waves of COVID-19 sweeping around the world.

What should investors do?

Bottom line

If you have time to wait, I wouldn't necessarily sell all your Air Canada stock. The company isn't likely to crash completely to zero, and it's also not likely to go bankrupt. The company will likely see a bailout from the government very soon, and this could give you the boost you need if you're looking to sell.

Meanwhile, at Motley Fool we always recommend a buy-and-hold strategy. So, if you want a deal and plan on holding Air Canada stock for years, even a decade or more, you're very likely to see shares return to pre-crash levels. In the meantime, I would put on blinders and hope for good news sooner as opposed to later from this company.

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