Air Canada (TSX:AC): Still the Best Airline Stock to Bet On

Description

Air Canada (TSX:AC) has been on a tear lately. With safe and effective COVID-19 vaccines ready to be rolled out, it seems like shares of the Canadian airline now have a clear runway for take-off. An analyst at RBC Capital Markets seems to think that Air Canada is “better off” than most other airlines in a post-pandemic environment and that various factors could “support” Air Canada stock amid its newfound momentum.

Air Canada: Better than the rest?

Given Air Canada has more than its fair share of international travel exposure, Air Canada has felt the brunt of the damage amid this pandemic. The firm still faces a challenging road to recovery versus the likes of some of its peers. That said, management has compensated for pandemic-induced uncertainties with its cost-saving efforts and its now excellent balance sheet.

Moreover, I also think the stock has way more room to run versus its peers, as shares of the battered airline are still off nearly 50% from their pre-pandemic all-time highs, while a handful of U.S. airline stocks are now sitting within 30% of seeing their 2019 highs. **United Airlines**, which I view as the most comparable U.S. airline to Air Canada, also has above-average exposure to international flights, and, as a result, its stock is also off around 50% from its high.

Although Air Canada’s recent relief rally enriched many investors over the past month, the upward move is still modest compared to the magnitude of the February-March decline. And given the firm’s profitability prospects beyond 2021, I’d argue that the stock has way more room to run over the coming 14 months.

The main advantage that Air Canada has over its peers, I believe, is its stellar management team, who has done an impeccable job of managing through this unprecedented crisis. The airline actually came into the crisis in better financial shape than its peers south of the border, with a greater liquidity position and less leverage. After having not spent nearly as much on share repurchases as select U.S. airlines, Air Canada was actually better prepared to weather the COVID-19 storm, even though its battered stock suggests otherwise.

Queue those analyst price target hikes

RBC Analyst Walter Spracklin hiked his price target on shares of Air Canada from $23 to $30. That's a 30% upgrade, implying another 15% worth of upside from today's prices. While I'm not a big fan of analysts "catching up" with their price targets after an explosive rally leaves their original price targets in the dust, I'd have to agree with Spracklin when he says that Air Canada is "better off" than its peers, with its major drivers that could propel its shares to new heights in the post-COVID world.

With another few ugly quarters to get through, Air Canada stock will be a turbulent ride over the coming months, to say the least. If the stock were to pull back near the low $20 range as a part of a garden-variety market correction that deals double damage to November's biggest winners, I'd be inclined to pound the table on AC stock again, as I did when the stock was hovering in the mid-teens back in October.

For now, I'm content with sitting on the sidelines, even though Air Canada is arguably the best airline stock to bet on for a 2021 recovery.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Investing
3. Stocks for Beginners

Date
2025/07/08
Date Created
2020/12/11
Author

joefrenette