



Why Air Canada Stock Could Soar in 2021

Description

I've been bearish on **Air Canada** ([TSX:AC](#)) stock for quite some time. I think a lot of this bearishness is still warranted today. That said, there is definitely a rebound story here. I'm going to dive into the bullish arguments supporting why Air Canada stock could soar in 2021.

Pandemic restrictions could be loosened sooner than we think

Various lobbying efforts from Air Canada and its peers in the travel and hospitality sectors are underway. This comes as bailout talks continue between the Canadian government and the airlines.

In my view, the Canadian government is in a pickle right now. If travel restrictions remain overly onerous, the amount of money that the airlines will demand via a bailout will balloon. However, loosening restrictions too early could have a significant cost in lives. All things considered, I think Air Canada will be the beneficiary of loosening restrictions soon. I think the catalyst for such a loosening will be due to the vaccines that are coming available now. The Canadian government will have an "out" to loosen restrictions carefully, saving the sector, and avoiding massive bailout payments, which would not be popular among the voting populace.

Cargo volumes could tide the company over

As pointed out by fellow Fool contributor Sneha Nahata in a [recent piece](#), cargo volumes are a key factor many investors are missing. Air Canada's ability to utilize its existing capacity to make money via shipping things other than people lessens the pandemic-related blows this airline has faced.

E-commerce demand has spiked, so Air Canada could actually gain traction in a sector the company typically doesn't focus on. For long-term investors, this is bullish. The more income streams any company can bring in, the better. With Air Canada bolstering its cargo business, the amount of cash this airline is burning could decrease over time. Of course, capacity reductions help as well.

Bottom line

I do think we'll see a bailout in 2021. Additionally, I think loosening travel restrictions will likely be announced soon. These two key factors combined with operational cost-cutting measures by Air Canada, might be enough to send this recovery stock on a tear in the coming quarters.

Air Canada has some of the best metrics among its North American peers and has been a value pick of mine in the past. It's always tempting to pick up shares of such companies on weakness. That said, the TSX is filled with a dearth of perennial value picks that stay cheap. Investors looking to time the ascent with Air Canada stock could see a retracement if these catalysts don't materialize. Therefore, this is a stock I'd recommend for long-term investors only right now looking for value.

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