



Air Canada Stock: Will it Soar or Crash Land This Year?

Description

Will **Air Canada** ([TSX:AC](#)) continue its ascent toward the heavens? Or is this stock on route for a not-so-smooth landing?

These are the questions many investors keen on a rebound in the airlines sector are asking right now. With so much uncertainty in the air right now, these stocks are some of the hardest to value, in my view. A lot of the earnings potential, cash burn rate, and operational metrics depend on how soon this pandemic gets under control.

Here's the good news

There's increasing optimism that a Biden administration will be able to handle this pandemic in a much more effective manner. The vaccine rollout has been slow, but if we see vaccination rates pick up, there's significant room for optimism around travel restrictions being loosened or lifted this year.

Of course, these projections are just that — projections. Investors are speculating, to some degree, with rebound stocks like this. We all make predictions, and in this case, predictions and projections will determine the course of the trajectory of this stock for some time.

Upcoming earnings are key

As I've mentioned before, next week will be a big one for Air Canada shareholders. For prospective investors, I think keeping an eye on the company's [upcoming earnings release on February 12](#) is key.

I think what's really going to be in focus for investors is the projections Air Canada's management team makes. Specifically, investors will want to hear about mid- to long-range forecasts for passenger volumes. A rebound in discretionary travel is likely. However, to what degree business travel is structurally depleted from this pandemic remains to be seen. Thus, these forecasts will be of utmost importance to investors looking past the pandemic.

Bottom line

Every stock today is being valued on the basis of long-term earnings. If each stock were priced according to what this year or even next year holds, prices would be a fraction of what they are today.

In the case of Air Canada stock, investors need to look a little bit further down the road with respect to growth projections. This is difficult for many investors to do. Indeed, I'm of the conservative long-term breed, and like to look at historical performance as an indicator of future performance. In this light, Air Canada's recent results would be dissuasive.

However, I think there is a real reason to be optimistic about this stock. If we see a large spike in discretionary travel take place, Air Canada should shoot substantially higher. I think at least over the medium term, excitement over the ability to travel should lead to such a spike. This may offset any losses from business travel I think are likely.

Which direction this stock is headed is anyone's guess right now. I think conservative investors are best served staying on the sidelines and waiting to see what the projections are. Data points are important to have on one's side with any investment.

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