



## Should You Buy a High-Risk Growth Stock?

### Description

As the pandemic wreaked havoc on the market, it did expose some incredible options for long-term investors to consider. Some businesses, such as airlines, have yet to recover and likely won't for several years. In short, there are high-risk growth stocks that have prospective investors questioning their value. Let's try to answer those concerns by looking at **Air Canada** ([TSX:AC](#)).

### Are all airlines high-risk growth stocks?

When we talk about airlines that are high-risk growth stocks, Air Canada is the first name to pop into our minds. Prior to the pandemic, Air Canada was flying high. The company was posting record-breaking earnings reports and expanding its service with modern jets. Further, Air Canada was one of the best-performing stocks on the market. At the beginning of last year, the airline's stock was showing five-year gains of over 600%. Fast forward to the trailing 12-month period, and Air Canada is now down over 30%.

Worth noting is the fact that Air Canada stock has surged in the past months, rising well over 50% since its pandemic lows. But what caused that surge, and is it justified? Just looking at the most recent quarterly update paints an entirely different picture. Specifically, the airline reported a net loss of \$1.1 billion, burned through \$1.38 billion in cash, and reported a negative EBITDA of \$728 million. Ouch.

Much of that optimism around the stock stems from the potential end of the pandemic coming into play. Vaccines are being distributed, businesses are reopening, and some normalcy is returning to the workspace. Unfortunately, this may work for very long-term investors but not so well for those looking for a shorter-term gain. For those investors, there is a myriad of [investments that offer juicy dividends](#) and growth initiatives that will outperform Air Canada for the moment.

### Let's be straight on Air Canada!

During the most recent earnings call, management noted that the company would take a whopping three years to return to revenue levels last seen in 2019. This runs contrary to the optimistic view I

noted above. We could very well see Canada return to a new normal later this year with herd immunity. Unfortunately, we often forget that airlines such as Air Canada have a global reach and responsibility when it comes to transporting passengers.

To put it another way, while *Canada* may reopen later this year, but it's very possible that other markets that *Air Canada* serves may not open to travel for another year or longer.

This doesn't mean that Air Canada can't be a stellar long-term pick for your portfolio. In fact, if you have a [long-term timeline](#) and already own the stock, you may want to augment your holdings.

If you have a shorter timeline in mind, there are far better options to consider investing in at the moment over a high-risk growth stock such as Air Canada.

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