



## Will Air Canada (TSX:AC) Stock Double or Go to \$0?

### Description

**Air Canada** ([TSX:AC](#)) stock is fascinating. Some think shares will double this year. Others think it's going to zero.

Few investments have this much uncertainty or this much potential. Can you take advantage?

### This story is wild

Few industries experience as much volatility as airlines. This is a boom-and-bust market. Fortunes can be made and lost quickly.

Just look at Air Canada's history. In 2006, shares were priced at \$20. By 2012, they were under \$1.

Then something strange happened. From 2013 to 2019, the stock rose *50 times* in value! Just when the market was abandoning the stock en masse, shares skyrocketed.

Today, we're somewhere in the middle. Shares trade at \$25, but the future is more uncertain than ever. Many investors see Air Canada stock doubling in value, as the world returns to normal and air traffic demand rebounds. Others think that even a strong rebound won't be enough for the company to survive.

So, which is it?

### Where will Air Canada stock go?

Let's cover the bear case first, because it's surprisingly simple.

Every business needs cash to survive. They can't post losses forever. In 2020, Air Canada lost millions every day, as the coronavirus crisis forced air traffic to historic lows. Planes were flying at less than 10% of capacity. For the year, losses totaled nearly \$4 billion.

If the market thought 2021 would be a repeat, there's a chance Air Canada would be bankrupt already. Bears think that the market is wrong. They think this year *will* be as bad as last year. If that's the case, shares will have a very difficult time.

Others think the exact opposite. They believe the market is gripped with fear when it comes to airlines, but that passenger traffic is so low, that it could reasonably *quadruple* in 2021. That would narrow losses significantly, ensuring survival and paving the way for a bright future.

These are the two paths forward for Air Canada. All you need to do is decide which future you think will occur.

## Should you invest?

You should know that even the best experts find it difficult to bet on airlines. Warren Buffett famously [avoided](#) the sector for decades, only to become one of the leading shareholders across four major carriers. A few years after making that big bet, he sold his position entirely.

"The world has changed for the airlines. And I don't know how it's changed and I hope it corrects itself in a reasonably prompt way," he [told](#) *CNBC*. "I don't know if Americans have now changed their habits or will change their habits because of the extended period."

Buffett hit the nail on the head with those comments. Clearly, he has decided that no airlines are worth his capital right now, but that doesn't mean there isn't money to be made. Investing in Air Canada right now isn't necessarily a bad decision; it's just rife with uncertainty.

If you think the world is quickly returning to normal, a bullish stance makes sense. But if you're at all nervous about 2021, this stock isn't for you.

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