



## Air Canada (TSX:AC) Stock: Will it Take Flight in 2021?

### Description

**Air Canada** ([TSX:AC](#)) continues to go up and down in the equity market, as the hopes of unrestricted air travel in 2021 keep lingering. Air Canada has lost a lot during the pandemic, consistently burning through its cash to keep its operations afloat.

Many might consider AC an airline that is on the verge of buckling under the economic fallout from the pandemic. Others feel that the prospect of air travel completely normalizing soon could make Air Canada a massive recovery for their investment portfolios.

Here is what I think 2021 could be like for Air Canada.

### The airline nightmare in 2020

The Canadian flag carrier airline earned less than a third of its 2019 income in 2020. Global travel restrictions forced the company to cancel flights, suspend routes, and ground most of its fleet for an undefined period. As domestic and international flights began to take off, the second wave struck and left airlines at a standstill yet again.

Air Canada cut another 1,700 jobs and suspended more routes for an indefinite period in January. It is possible that the airline will [experience further losses](#), despite raising more equity capital to improve its liquidity.

### Prediction for 2021

Air Canada is not having as bad a year in 2021 as many might have predicted. At writing, the company's valuation is up 21.66% year to date, trading for \$26.90 per share. Air Canada could have a lot of potential to become one of the best turnaround plays on the stock market. While its share prices are recovering, Air Canada's valuation is far from its all-time highs.

The shares are still worth approximately half of what they were trading for before the pandemic struck.

Optimists could look at its low valuation as a value investing opportunity. With substantial good news developing on the vaccine front, it is possible that air travel might normalize soon.

The pandemic might end one day, making Air Canada's recent move to acquire **Air Transat** seem like an intelligent move for the company. The deal gave Air Canada increased market shares in a market it already dominates. Accordingly, investors could reap longer-term benefits related to [better cash flow and earnings growth](#) as operations return to normalcy.

Additionally, Air Transat's main business is providing vacation travel solutions to its clients. If there is an improvement in the pandemic situation, vacations will also likely increase. The acquisition of Air Transat effectively positions Air Canada well to capitalize on the uptick.

## Foolish takeaway

Airlines like Air Canada are highly cyclical stocks. Investors could consider the current situation with the airline to go either way. Investors pessimistic about the airline industry's performance in the coming few years might want to avoid investing in Air Canada. If you are optimistic about things returning to normal, Air Canada could be an excellent recovery play to consider for your investment portfolio.

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adamothonman

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