



Air Canada (TSX:AC): A Top TSX Stock for the Next 5 Years

Description

Air Canada ([TSX:AC](#)) stock isn't as risky as it was last year, when nobody knew much about COVID-19 or when safe and effective vaccines would arrive. Now that there's more clarity with the vaccine rollout, airline stocks have been surging, especially the ones in the states.

Too bad [Warren Buffett](#) ditched his shares at a loss back in early 2020!

Shares of Southwest Airlines have not only posted a full recovery from the coronavirus crash, but they're now trading above their February peak at \$60 and change!

When **Southwest** stock shed around 60% of its value in a matter of weeks, only the bravest of [contrarian investors](#) would have thought that the name would be capable of rebounding within a year. Warren Buffett wasn't one of them. And investors shouldn't count on the man changing his tune with the airlines again by either chasing them or acquiring one in full.

The U.S. Federal Reserve came to the rescue in a hurry.

Warren Buffett was likely looking for a sweetheart deal that probably would have come if it hadn't been for Fed chair Jerome Powell's great save. Indeed, everyday investors like you and I have Powell to thank for the rapid recovery in the equity markets, as there's no telling where we'd be today had he not risen to the occasion when he did.

And the airline stocks like Air Canada? I think a majority of them would have crumbled like a paper bag by now if it hadn't been for Powell. Even industry experts like Boeing CEO David Calhoun thought that a major airline would have gone under at the hands of the insidious coronavirus last year.

Air Canada: Too vital to fail

While Air Canada was always a risky proposition through most of 2020, I saw the Canadian airline as the best way for both Canadians and Americans to bet on an airline recovery. Why? One or two U.S. airlines could have gone under, and America's airline industry wouldn't have been decimated. There

are a handful of U.S. airlines, and some argue that maybe there were too many tubes in the sky.

On this side of the border, however, Canada really can't afford to let its top Air Canada go bankrupt. WestJet Airlines, now owned by private equity manager **ONEX** Corporation, is under similar pressures and isn't quite at the level to fill Air Canada's shoes.

Air Canada is a vital internationally-focused airline. It's essential to the functioning of a developed economy in a post-COVID world. And if COVID-19 took a turn for the worse and Air Canada's balance sheet was stretched to its breaking point, I never really saw bankruptcy as an option. The country couldn't afford to let the wonderful airline go under at the hands of a crisis that was likely to be temporary.

In any case, Air Canada headed into the crisis in better shape than its peers to the south. While Air Canada "wasted" a lot of share buybacks, it wasn't as much as its American peers. Moreover, the airline did an impeccable job of reducing cash bleed in a hurry. Despite Air Canada's efforts, the internationally focused airline faces an uphill battle as we transition into the post-COVID environment.

A top TSX stock pick for the post-COVID world

The pandemic will end. Probably sooner rather than later. That said, there's no telling how long the insidious coronavirus and its variants will be sticking around. As such, one should expect some remnants of the "new normal" to remain for years (temperature checks, testing, masks, etc.).

Regardless, after localities reach herd immunity that a considerable amount of pent-up travel demand will be met over the next five years. We don't know the long-term implications on the air travel industry through the early part of the 2020s.

But if you're a young investor who doesn't mind a turbulent ride, perhaps Air Canada stock is still worth buying and holding for the next five years and beyond. Just be ready to buy more AC stock on dips.

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