



## Could Air Canada Stock Skyrocket Back to All-Time Highs in 2021?

### Description

**Air Canada** ([TSX:AC](#)) stock has been stuck in the gutter compared to its more domestically focused peers in the states. **Southwest Airlines** has already posted a full [rebound](#) from the COVID-19 crisis (sorry, Warren Buffett!), yet Canada's top air travel play is still a country mile away from its all-time high. Air Canada's managers have done a pretty good job of shoring up cash and reducing cash burn rates. They've done the best they could, and there really wasn't much else they could have done, given the dire circumstances.

In numerous prior pieces, I've highlighted Air Canada's heavier weighting to international flights was a major reason why the stock deserved to be discounted versus its U.S. peers. Once the pandemic ends, COVID-19 will remain, and it could go endemic. That means international travel won't be so quick to post a bounce back. Many travel destinations could accompany harsh restrictions for many years to come. In spite of the pent-up demand for travel, it could take many years to return to normal as far as international air travel is concerned.

Some pundits think that COVID-19 may be sticking around for years. And if this is, indeed, the end of international travel (at least for the early 2020s) as we know it, Air Canada stock could continue to be a turbulent ride, as it gets attempts to lift off towards its still distant all-time highs just north of the \$50 mark. As such, Air Canada investors need to temper their return expectations and the timeline of the air travel stock's recovery in the post-pandemic environment.

## When will Air Canada return to its all-time highs?

I think it's further off than most Air Canada investors expect. For Air Canada stock to return to its highs, it needs to soar another 75%. And I don't think that'll be in the cards in 2021. If a [bull-case](#) scenario happens in 2022 and pre-pandemic levels of normalcy are reached, we could witness such a bounce in Air Canada. That said, I think a return to the teens is also probable.

At the time of writing, Air Canada stock is down 44% from its 2020 all-time high — a time I warned investors that AC stock was at high risk of crashing over the coronavirus, whose impact many discounted at the time. From a bottom-up view, Air Canada shares are up 132% from those ominous

March 2020 bottoms. Meanwhile, other reopening plays have already posted a full recovery, with some blasting off to new all-time highs, well ahead of the economic reopening and the end of the COVID-19 pandemic.

While the trajectory in AC stock since November 2020 is encouraging, I still think it's unrealistic to expect Air Canada's recovery trajectory to be similar to that of Canadian bank stocks.

## A third wave could be bad news for the airlines

Air Canada stock, in particular, could take several steps backward if COVID-19 variants of control get out of control. Italy is back in lockdown, and the threat of a major third wave for Canada and the U.S. may be on the horizon, even though we've had progress with vaccines.

As the virus spreads, the greater the chances are for a mutation. And although it's nice to be optimistic at this juncture, one must not discount the risks to be had in Air Canada or any other airline that could still be at risk of falling into the single digits before we're out of this dark tunnel.

## Air Canada stock will remain a turbulent ride for investors

More mutations mean more opportunity for the coronavirus's spike protein to change, which means today's vaccine efficacy rates could be headed lower. If Canada is headed for the same fate as Italy, with a potential spring lockdown in April, I think Air Canada stock could nosedive to the low \$20 levels.

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