Air Canada (TSX:AC) Stock: A Growth Titan Could Reclaim its Position

Description

There are two different kinds of recoveries when it comes to the stock market. The first is the recovery of stocks, which is usually governed by investor sentiment and a general “mood” of the market. The second type of recovery is the actual financial recovery of the company. In the perspective of a market crash or a recession, it would be revenues and profits recovering to the pre-crash levels.

Air Canada’s (TSX:AC) 2020’s last-quarter revenue was less than one-fifth of the revenue in 2019’s last quarter. And if it keeps growing at its current pace, it might not reach pre-pandemic levels anytime soon. It might even overshoot Air Canada’s own projection about the financial recovery timeline of the company (three years).

But the company is *acing* its other kind of recovery.

The soaring stock

Air Canada stock has grown over 127% in the last 12 months. There was a time when people were speculating whether the stock would even manage to stay above the $20 threshold. It hasn’t just crossed that threshold, but it has left it in the dust. Now the stock might be reaching $30 and beyond.

Multiple factors are fueling this momentum and the valuation growth, chief among them are the optimism that the pandemic is finally behind us and the government’s impending aid to the airline sector of the country. The latter might be late in coming, but it already has the desired effect.

With a substantial financial boost, coupled with the cost-cutting measures that the airline has already taken, it might survive and grow, despite a few more quarters of losses.

Should you buy it?

If you don’t already have Air Canada in your portfolio and are thinking about buying it before it reaches its pre-pandemic valuation, it might be worth considering. If the stock gathers enough momentum to get $60 within a year or so, you would be able to double your money if you buy now. If the company goes through with its **TransAt** acquisitions, the stock might starts growing even faster.

Unless investors see it as a financially struggling company taking on more risk, in which case the stock might take a dip, another reason the stock might dip would be a bad earnings report, but that won't be able to keep the stock down for too long. Even if it's terrible compared to the 2020 first quarter, if it's a substantial step up from the last quarter, it might be a positive sign.

Foolish takeaway

Air Canada might be taking its rightful place as one of the most rapidly growing stocks in the TSX, or it might just be propped up on investor optimism. But the fact remains that the company still dominates the Canadian airline industry. With a few acquisitions and expanding its cargo-wing, the company might see significant growth in the next few years.

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