Air Canada Stock: Should You Buy Ahead of a Big Recovery?

Description

Air Canada (TSX:AC) stock has been a roller-coaster ride of emotions over the past year and a half. Last January, I rang the alarm bell, urging investors to sell and take the threat of the insidious coronavirus, which, at the time, had yet to start a pandemic. A few weeks later, the stock market went crashing down, with airlines like Air Canada stock leading the charge lower.

It was a horrifying time to be an investor, let alone an airline investor.

When the great Warren Buffett had announced he'd exited his stake in his favourite U.S. airlines, it was tempting to hit the sell button and take the loss. As it turned out, the Oracle of Omaha was wrong, and his decision to sell the Big Four U.S. airline shares cost him dearly, as they went on to stage impressive recoveries that continue until this day.

Warren Buffett's latest blunder: Selling the airlines too soon

It's estimated that Warren Buffett missed out on over US$5 billion worth of upside from the untimely disposal of his favourite airline stocks, which would be worth just shy of US$10 billion today. If you followed the man's footsteps, you're probably feeling the pain. Unlike many airlines south of the border, however, Air Canada stock remains a country mile away from the top. The company faces a tougher road to recovery because a considerable chunk of its revenues is derived from international travel, which won't be nearly as quick to recovery as domestic air travel.

It's possible that Warren Buffett isn't feeling great about the moves he made a year ago. Did he panic? Probably not. But had he took his own words of advice — to never lose money — he probably wouldn't be in a spot to kick himself today. Sure, he's the Sage of Omaha, but he doesn't have a crystal ball handy, and there was really no telling what the airlines' fate would be.

Air Canada stock: Not for the faint of heart

If you managed to hold or had the courage to buy more Air Canada shares or your favourite Big Four

U.S. airline, you deserve a round of applause. If you sold or stuck to the sidelines, though, I still think there's gain to be had from the likes of an Air Canada at this critical market crossroads.

The vaccine rollout has gone smoothly thus far. In the United States, the rollout has gone well ahead of schedule. Here in Canada, things are lagging by a bit, but all sights are set to a far brighter second half of 2021. Could Air Canada and its peers be in for a summertime travel boom? Possibly. In the war between vaccines and COVID-19 variants of concern, it looks like the vaccines have gained the lead. And as the lead is widened, the reopening plays like Air Canada could have a runway cleared for take-off.

Earlier this month, Air Canada stock was dealt a handful of analyst price target upgrades. Fadi Chamoun and Hunter Keay, two of the most bullish analysts on the Street, have buy ratings with a $33 target, implying 25% worth of upside from today's levels.

Should you follow bullish analysts into Air Canada stock?

Air Canada's fundamentals have undoubtedly improved drastically in recent months.

While there's still uncertainty, I think it's safe to say that with more clarity on the vaccine rollout that risks are on the downtrend. While it's going to be a more challenging recovery for Air Canada, I think the stock is worth adding to your radar. Should we be in for an April variant-induced (partial) lockdown, AC stock could nosedive, and that would be when I'd pounce.

For now, keep the name on your shopping list. And if you're keen, I'm certainly not against initiating a tiny starter position here. Just be ready for more turbulence, as the road to recovery is going to be full of twists and turns for Canada's top airline.

In short, unless you've got a stronger stomach and risk tolerance than Warren Buffett, only then would I look to be a major buyer in the mid- to high $20 levels.

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