



## Air Canada Stock (TSX:AC): Multi-Bagger or Value Trap?

### Description

**Air Canada** ([TSX:AC](#)) stock continues to be a popular stock with investors looking past the third wave of COVID-19 cases to the economic reopening. However, with a reliance on government relief, could Air Canada stock actually be a value trap? Or will the recent round of relief be the last before Air Canada stock finally gets back on its feet?

### Another round of government support

Just last week, Ottawa gave Air Canada a much-needed multi-billion-dollar lifeline, which came as no surprise. I stated on numerous occasions that the federal government would inevitably provide further financial relief when it was needed, given the country couldn't afford to let its top airline go under at the hands of the insidious coronavirus.

With AC stock plunging another 3% on Monday, shares now find themselves down 19% from their 52-week highs. Jitters over the recent surge in coronavirus cases across the country has many weak-handed investors throwing in the towel. As the negative momentum continues picking up traction, AC stock could easily find itself back in the teens, and Ottawa's Air Canada stake may find itself in the red to the disappointment of taxpayers.

Even if COVID-19 is conquered in late 2021, Air Canada's ailing international business will act as a major drag on its recovery trajectory. While I am a fan of how Air Canada's team managed through this crisis, I think the name is a case of the wrong place at the wrong time. Airlines felt the brunt of the COVID-19 crisis. Internationally focused airlines like Air Canada felt the impact that much harder, and they deserve to trade at a lofty discount to their domestically focused U.S. peers.

### Curb your expectations with Air Canada stock

When it comes to AC stock, I think there are still a large number of hungry investors who've yet to curb their recovery expectations.

Those who expect a multi-bagger bounce akin to the one enjoyed by select domestically focused U.S. airlines may be positioning themselves for disappointment once the numbers come rolling in. I expect Air Canada's recovery to be very modest, given the reliance on the global vaccine rollout, which I don't suspect will be nearly as smooth as the rollout in the U.S. or Canada.

Fellow Fool and Air Canada [bull](#) Chris MacDonald believes that air travel demand could skyrocket into the summer if Canada accelerates its vaccine rollout.

I can't say I'm nearly as bullish.

The Canadian vaccine rollout has been met with its fair share of stumbles so far. But it's the international vaccine rollout that, I believe, will ultimately dictate the trajectory of AC stock, given its dependence on international travel. As such, I think there's a high probability that a slow global rollout could cause Air Canada to miss the boat on peak travel season. Sadly, a lot of pent-up travel demand may not be met until next year.

While I do think AC stock will live to see better days, I think the stock ought to be in the no-fly zone for now, at least at \$24 and change.

## Is Air Canada stock a value trap?

While I do see more downside ahead, I don't think the name is a value trap, given Ottawa will be there to pick Air Canada up should it fall. On the flip side, I don't think Air Canada is a multi-bagger either, nor do analysts covering the name, who have a consensus price target of around \$31, implying just north of 25% upside from today's levels.

Now, 25% is a pretty good return. But for the patient, I think a better entry point could be on the horizon in the low-\$20s to high-teens, which could be in the cards over the coming weeks, as COVID-19 cases continue to surge.

My takeaway? Fasten your seat belts because [turbulent times](#) are ahead.

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**Date**

2025/07/28

**Date Created**

2021/04/20

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