



Air Canada Stock: When to Pull the Trigger

Description

Air Canada ([TSX:AC](#)) is a stock that continues to be at the top of investors' watchlists. For over a year now, the stock has traded at a massive discount to its pre-pandemic price. This has many investors thinking that the stock is offering major [value](#).

The significant discount has investors watching the stock, anticipating a significant recovery once the company can get its operations back up and running again.

The problem with Air Canada is the airline and travel industry will be one of the last industries to recover from the pandemic.

And in the meantime, the stock is losing a tonne of cash, while its planes sit idle and the company waits to return to business again.

Why hasn't Air Canada recovered yet?

More than a year after the pandemic began and more than four months after the vaccines began being approved for emergency authorization, Air Canada continues to trade more than 50% below its pre-pandemic price.

While almost every other business and industry has recovered, Air Canada continues to tread water and bide its time while the country slowly gets over the pandemic.

The problem with the [Canadian airline stock](#), and why you can't just take a buy-and-hold approach, is that there is so much uncertainty, even today. And the problem with the uncertainty is that Air Canada is losing tonnes of cash every day.

So, investors who hold Air Canada stock today are losing money on their investment every single day without any certainty as to when the company may get its operations back up and running normally.

In addition to the uncertainty of when this can happen, there is still a tonne of uncertainty about how

fast the industry can recover. There's even uncertainty regarding whether Air Canada will return to its pre-pandemic level of sales after the industry does recover.

Some consumers may want to avoid travel for the time being. Meanwhile, others will be eager to get out of the country on vacation. Whether or not this leads to the same level of sales from before the pandemic, less or more, is still unclear.

If it did return to its pre-pandemic level of sales, the company still has higher debt and interest costs to pay now. In the fourth quarter of 2020, Air Canada paid more than double the interest it did in the same quarter during 2019. Furthermore, shareholders have been diluted through the pandemic as well.

When to pull the trigger

Those are all reasons why Air Canada stock may not reach \$50 a share again anytime soon. That doesn't mean it's not worth an investment for everyone.

At the end of the day, it's personal preference and down to whether or not you believe the stock can recover rapidly. It's just important to keep these risks and factors in mind.

As with any investment, Air Canada will be worth a buy when you feel that the company is undervalued and presents a significant opportunity for recovery.

Keep in mind, the potential you see for recovery should outweigh the potential in almost every other stock on the market. Otherwise, it doesn't make sense to buy Air Canada if you believe other stocks offer better potential.

So, when you feel confident that Air Canada is worth an investment, keeping in mind all the risks from above, that's when it's time to pull the trigger.

Ask yourself, do you think the stock is worth more than the \$8.3 billion it's worth today?

It's also noteworthy to consider that the analysts covering the stock have an average target price of around \$31. That's roughly 30% upside from today's price. However, that's also the one-year target price and is nowhere near Air Canada stock's pre-pandemic price of \$50.

Whether or not the stock is worth an investment is a personal preference and up to you. However, there's a lot to consider before pulling the trigger.

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Author

danieldacosta

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