



Air Canada Stock: When Will it Take Off?

Description

Air Canada ([TSX:AC](#)) stock has been a [turbulent](#) roller-coaster ride of a stock for well over a year now. Shares of the top Canadian airline are a country mile away from their pre-pandemic all-time highs, while many of its peers to the south have already posted full recoveries from last year's brutal coronavirus crash.

Although Air Canada seems to reek of deep value, I'd caution investors from punching their ticket into the name, as there remain numerous uncertainties that could prevent Air Canada stock from following in the footsteps of its top-performing peers to the south (think **Southwest Airlines**, which is now sitting up over 6% above its February 2020 peak).

Undoubtedly, the vaccine rollout has been slow on this side of the border. For Air Canada, that could mean the worst of [COVID-19 headwinds](#) could persist for a while longer than its U.S. peers.

Ottawa's backing was no surprise for Air Canada shareholders

As a part of the latest round of financial support, Ottawa is taking an equity stake in the company worth around \$23. While it may be tempting to back up the truck at or around the level, I'd urge investors to understand the full extent of the risks before getting into the wildly popular reopening play, which may be full of weak hands that will exacerbate any volatility that'll come forth, as the race between vaccines and variants of concern continues.

The latest round of federal support wasn't material to the stock. Heck, I don't even think Ottawa's cost basis will act as a floor of support for the ailing Canadian airline. Air Canada arguably faces the toughest uphill climb en route to the post-pandemic environment.

The tough road ahead for Air Canada stock

Not only is the vaccine rollout going slower than expected on this side of the border, but as an airline that draws in a big chunk of its revenues from international travel, Air Canada's recovery will be

dependent on the global vaccine timeline. That leaves Air Canada at risk of feeling the effects of this pandemic well after some of its domestically focused peers are already at near normalcy.

With COVID-19 cases surging uncontrollably in some countries, regional restrictions and temporary travel bans could continue to weigh heavily on Air Canada's business for many quarters to come. And if variants pull ahead of vaccines at the international level, Air Canada stock could stand to take several steps backward, as some of its domestically focused U.S. peers move ahead.

Foolish takeaway

The pandemic will eventually end, but countries will reach herd immunity at different times.

Things are getting better in some places. In others, the outbreak is the worst it's ever been. In the U.S., cases are winding down (hopefully for good this time), and normalcy is within grasp. Meanwhile, India is in a crisis, with the nation suffering through its worst COVID-19 outbreak yet.

Until the world kicks COVID-19, international air travel is unlikely to bounce back to 2019 levels in spite of any pent-up demand. Not all hope is lost, though. **Pfizer** has a COVID-19 home-cure pill in the works, and it could be approved by year's end. If successful, the pill could profoundly accelerate global herd immunity, and the pandemic could end at some point in 2022. In such a scenario, Air Canada stock would be off to the races.

If you're no stranger to volatility and are willing to hold Air Canada stock for another two years, only then would I get in at these prices. I think the stock could take off as soon as this summer if the worldwide vaccine rollout picks up traction.

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Date

2025/07/28

Date Created

2021/04/30

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