



## Air Canada Stock: Should You Buy or Bail in May 2021?

### Description

**Air Canada** ([TSX:AC](#)) stock has continued to be a [turbulent](#) ride for investors going into May 2021. Despite the latest round of government support, investors must not expect the Canadian airline to be anything less than a roller-coaster ride of emotions. Canada is in the midst of a horrific third wave. On this side of the border, the vaccine rollout hasn't gone nearly as fast or as smooth. Regardless, the more time goes by, the more jabs will be in arms, and the closer Air Canada will be to returning to its two feet.

Right now, many domestically-focused U.S. airlines are surging into the stratosphere, but are such moves a sign of things to come for Air Canada once Canada can curb the current wave and get enough shots in arms?

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That's the million-dollar question. At this juncture, investors are split between the dark reality of today's situation and the brighter future, which is now within reach. As the pandemic winds down from this horrific spring wave, there's a chance that some Canadians will be able to take to the skies again for peak summertime travel season. There's plenty of pent-up demand right now. Many Canadians are just waiting for their shots so that they can take the next flight to visit family and friends that they haven't seen for almost a year and a half.

Business travel is likely to take a permanent hit as a result of the COVID-19 pandemic. However, I still think the immense built-up demand for non-business travel can allow Air Canada to make up for lost time once the federal government eases travel restrictions and puts forth procedures to make Canadians feel safer about travelling in those crowded tubes in the sky. That means testing, testing, testing on Air Canada's part.

While I am mildly bullish on Air Canada's recovery prospects, I don't think the internationally-focused airline will be nearly as quick to recover as some of its domestically-focused U.S. peers that have been soaring into the sky of late. Why? International air travel is an entirely different game.

Right now, many nations such as the U.S. have COVID-19 (mostly) under control. Other nations are in a crisis. India is facing its worst outbreak yet, and until the world can collectively curb the spread of COVID-19, I find it will be hard for international air travel to bounce back to 2019 levels.

## Don't expect a V-shaped recovery for Air Canada stock

For Air Canada stock, that means the road to recovery could extend over years. I don't think Air Canada stock will bounce back to pre-pandemic levels in a V-shape fashion as **Southwest Airlines** has. But I do think Air Canada could allow investors to achieve some pretty sound returns over the next three years. Personally, I think Air Canada stock is a play on the global vaccine rollout, which could take far longer than the rollout in the U.S. or Canada.

I don't think Air Canada stock will be at its high of around \$51 until late-2023 or early-2024. Still, I do think that AC stock doubling to \$51 by mid-2024 isn't out of the question. Air Canada has the support (from Ottawa) it needs to recover, and in due time, it will. If you've got the stomach, I think the stock is capable of as much as 30% in annualized returns en route to normalcy.

## So, should you buy AC stock now? Or look out below?

Air Canada stock looks more of a buy than a sell, especially if you're a [long-term investor](#) who's willing to hold for at least three to four years. If you're looking for a quick V-shaped gain, I think you'd be better off elsewhere, as AC stock will remain a turbulent outperformer at best.

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