



Air Canada Stock: Where Will it Be in 5 Years?

Description

It's what everyone wants to know. When will **Air Canada** ([TSX:AC](#)) finally rebound to all-time highs? Even more than that, is this a long-term stock you want to have in your portfolio? Air Canada stock remains a volatile hold for those looking to get rich quick. But let's be honest: that's no strategy. Real wealth comes from long-term investments in strong companies.

So does Air Canada stock fit into the strong company category? Or should investors be calling mayday? Let's see what could happen in the next five years.

A history of Air Canada stock

Before we dig into the future, it's important to learn about Air Canada stock and its past. This is important to show that Air Canada has been in dire straits before. The company saw shares sink to below \$1 per share back in 2012. Many thought the company would shut down completely. However, it managed to rebound and become the go-to airline for business and international travel.

It's that international travel that's also important to understand. Only about 22% of the company's flights before the pandemic were domestic Canadian flights. This was a strategy taken on by Air Canada stock to bring in mostly U.S. travellers with long-haul international flights that had layovers in Canada. Because of this, it came into the pandemic in better shape than some of its international peers.

Then COVID-19 hit

This strategy was great until the pandemic. Of course all airlines were hit, but COVID-19 made it impossible to keep an international, business-focused strategy. Companies that were able to get more planes in the air faster were low-cost carriers and short-haul flights, including many of the U.S. companies that Air Canada had financially outpaced in the past.

Sure, Air Canada stock has Rouge, its low-cost carrier, but it had hoped to also have **Transat A.T.** to

take over 60% of the market share in Canada. While cancelling that deal is good for its bottom line and \$13 billion in debt, it does mean the company will have even more work to do to get back in the black faster. Even the \$5.9 billion government aid package can't cover all those costs, especially when most of that are going to refunds.

The next five years

The next five years are important for Air Canada stock. It's unlikely that Air Canada will be able to get back to long-haul business and leisure traffic at pre-pandemic levels until the COVID-19 vaccine is distributed around the world. That could take until 2024 — three years away! And analysts don't expect the company to completely abandon this strategy that has worked so well before.

This means that during the next few years, Air Canada stock is likely to keep capacity lower for international travel. Instead, it may put its focus on business travel once the vaccine is at least [widely available](#). It also has its Aeroplan loyalty program, with frequent flyer miles providing a great way to get traffic going again as banks offer top dollar. But it remains to be seen if this will be as successful as U.S. counterparts.

Bottom line

While other airlines, mainly in the U.S., have seen a [V-shaped](#) recovery, don't count on that for Air Canada stock. That said, within the next five years, I predict that the stock will finally reach pre-pandemic levels of around \$50 per share. While it's going to take some time to get back to international travel, when that happens these are pricier flights. As well, the company has invested in fuel-efficient aircraft and other cost saving measures to take in the most amount of revenue possible.

So is Air Canada stock a buy with in the next five volatile years? I'd still say yes. But investors must be patient. While this isn't a stock that will simply explode overnight, it still falls into that strong category of a company that will last.

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Author

alegatewolfe

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