



Could Air Canada Be a Top TSX Stock Again This Decade?

Description

The Canadian airline industry has faced similar challenges as its global peers during the COVID-19 pandemic. **Air Canada** ([TSX:AC](#)), the top airliner in the country, has seen its stock increase 10% in 2021 as of mid-afternoon trading on May 5. Shares are up 44% year over year. Today, I want to explore how Air Canada emerged from near catastrophe in the early 2010s to one of the most explosive growth stocks on the TSX. After that, I want to discuss how the TSX stock could pull it off again in the 2020s.

How Air Canada made fortunes for investors in the 2010s

In May 2020, I'd discussed some of the [highest-performing stocks](#) over the previous decade.

Air Canada found itself in the throes of the most significant financial crisis since the Great Depression in the late 2000s and early 2010s. The airliner fought to raise money, as the recession dealt a serious blow to its industry. Air Canada would see its stock fall below \$1 per share in the early part of the previous decade. Fortunately, it was able to claw its way out of this dire position.

Shares of Air Canada achieved a return of 3,680% from January 1, 2010 through to December 31, 2019. A \$5,000 investment in the top Canadian airline stock would have been worth \$184,000 by the end of the decade. Can investors realistically expect the stock to put together a similar run over the course of the 2020s?

Before the 2010s came to an end, Air Canada's leadership said it was in a much better position to navigate a recession. "We believe the impact to us would be less than half what the impact was in '08-09," Deputy CEO and chief financial officer Mike Rousseau said in September 2019. A few short months later, and the world found itself in a generational pandemic that shook our political, social, and economic fabric.

Why Canada's top airliner is down but not out

Air Canada stock has climbed 10% in 2021 as of close on May 5. Its shares have increased 45% from the prior year. Last month, I'd discussed whether the stock could make investors a [fortune](#) in the same way it had the potential to during the 2010s.

Mike Rousseau's comments may have tempted fate, but they still ring true. Air Canada was and is much better prepared to face economic turbulence than it was in the late 2000s and early 2010s. Rousseau rightly cited its debt-free planes, low-cost Rouge subsidiary, and the improved flexibility in its labour contracts. It has also greatly bolstered its balance sheet, powered in part by record earnings in the final years of the previous decade.

Canada lagged peers like the United States and United Kingdom in the vaccine race. However, it has started to catch up in recent months. Case counts are dropping dramatically in Ontario, as the vaccine push has gained momentum. There is now hope that the country can return to some degree of normalcy by the end of the year. This will be a huge step forward for Air Canada.

Why I'm buying Air Canada in May

Shares of Air Canada have fallen 12% month over month at the time of this writing. I'm looking to buy the dip, especially after the company secured a significant government bailout last month. Continued success with Canada's vaccine rollout will inject more optimism, as airlines hope to return to business as usual.

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