



## Air Canada (TSX:AC) Is a Smart Long-Term Buy

### Description

I've changed my tune numerous times on **Air Canada** ([TSX:AC](#)) stock over the past year and a half. It's been a turbulent ride for shareholders and has been an absolute trader's playground of a stock, with four separate bear market pullbacks (that's a 20% peak-to-trough drop). At \$27 and change, Air Canada is under a bit of pressure but is showing signs of [strength](#) after bouncing to a level just a correction (10%) away from its 52-week high.

With Canada winding down from its third wave of COVID-19, it now seems like a great time to get in, with peak travel season waiting [around the corner](#). Last year, Air Canada couldn't make the most of the summertime travel season, but this year is different.

More COVID-19 vaccines are being administered by the day. Soon, a majority of Canadians will be eligible to receive their second doses. And phase-based reopenings and restriction lifts will move along across various provinces (big events like the Calgary Stampede should be back on this year!).

It's been a tough winter for us all. But summer has never looked brighter. So many people are itching to get out, spend money, hang out with friends, meet with family, and travel. There's a considerable amount of pent-up demand that I think will be met this summer.

Of course, COVID-19 variants could hurt Air Canada's international recovery prospects. In addition, the recent news of \$10 million in bonuses being doled out to management also does not bode well for the firm's image.

### **Air Canada stock: There are still risks, but they're probably of low probability**

Although I still think Air Canada will receive bailout money should it so need, I expect future support will come with strings attached. Perhaps many strings attached could be to the detriment of long-term shareholders.

In any case, there's growing data that suggests we're in for the most normal summer yet. And if COVID-19 variants are kept at bay once the temperature begins dropping again, I think Air Canada stock will have permission to really take off. As of right now, the runway looks to have cleared. Of course, there are still prominent risks, but for those willing to hold through 2024 or 2025, I think the potential rewards are well worth any near-term volatility you'll have to stomach.

## Catalysts ahead

In the meantime, expect weak-handed traders to jump into the stock, as Air Canada looks to have its most favourable year-over-year comparisons ever. For the summer season, the YoY comps are going to look beyond incredible.

That said, the bar will be set high, and guidance could be the primary needle mover for the stock. Will Air Canada's well-paid managers be confident enough to provide forward-looking data, as more people get jobs in their arms? Only time will tell. If Air Canada can capitalize on summertime travel, I think there will be few chances to catch the name at below \$25 per share.

As such, I'm now leaning more towards the buy side than the sell side — but only if you're committing to hold for the next three years. As an internationally focused airline, Air Canada faces a slow and steady recovery to those 2019 levels. So, a U.S.-style airline recovery, I think, is out of the question.

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