



Why Air Canada Stock Could Go Parabolic From Here

Description

One of the pandemic reopening plays investors are watching closely right now is **Air Canada** ([TSX:AC](#)). Indeed, this large Canadian airline is starting to see [volume pick up](#). With the Trudeau government already working on reducing the onerous travel restrictions that have hit this sector hard, Air Canada stock is looking like an intriguing pick here.

Indeed, if Canadian travel booms as steeply as what we've seen in the U.S., all bets are off with respect to how high this stock could go. After all, Air Canada still trades around 50% below its all-time, pre-pandemic high.

Let's take a look at why a parabolic swing to all-time highs may not be as unlikely as many investors think.

Outlook drastically improving for Air Canada stock

I think the stark contrast of what Air Canada will report in the coming quarters could potentially provide [meaningful upside](#) for investors in Air Canada stock.

Indeed, last year wasn't pretty. Air Canada was burning approximately \$14 million per day due to grounded flights. This cash burn wasn't as high as some U.S. counterparts in an absolute sense. However, on a relative basis, it's clear Air Canada has been under a lot of pressure.

However, the approach the company's management team has taken in negotiations over bailout funding may have been the turning point investors were looking for. The \$5.9 billion bailout package has changed the liquidity picture for Air Canada stock. And with flights resuming, cash flow may finally turn around to pre-pandemic levels.

Indeed, the outlook remains much brighter today for Air Canada stock than any time since the onset of the pandemic. A surge of pent-up travel demand domestically should drive capacity levels back to where they were in 2019. Some might argue we could be headed for a “goldilocks” period in the airline sector.

Canada is quickly approaching its 70% herd immunity vaccination target to fully reopen borders. When that happens, it's full steam ahead for Air Canada stock. Accordingly, now may be a great entry point to consider this stock today.

Bottom line

Air Canada stock isn't one without risk. Oil prices (and therefore jet fuel prices) remain elevated. And the timing of the border reopening and speed of the vaccination drive has been two factors no one has been able to anticipate thus far.

That said, it's not a matter of if we'll get back to normal, but *when*. Should travellers hit the skies at volumes we've never seen before, Air Canada stock should do very well. Indeed, this could be a coiled spring ready to pop here. Investors ought to have this stock on their watch list now.

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