



Why Air Canada Stock Could Double in a Year

Description

In late June, I'd [gone over](#) some predictions for **Air Canada** ([TSX:AC](#)) and the airline industry at large. Canada saw its vaccination rates pick up in the middle of the spring. This has opened the door for a reopening of the country. Ontario is set to enter step three of its reopening plan by the end of this week.

Shares of Air Canada have climbed 16% in 2021 as of early afternoon trading on July 12. However, the stock is still worth roughly half what it was at its peak at the beginning of the previous year. Today, I want to discuss how the stock could double over the next 12 months.

Renewed demand is good news for the air travel industry

The seriousness of the COVID-19 pandemic became apparent in the late winter and early spring of 2020. At the time, Air Canada and its peers predicted that the recovery for the airline industry would be a multi-year effort. The years following the September 11, 2001 attacks were a huge challenge for the sector. Companies could face a more radical period of transition following the pandemic.

Earlier in June, airports were still at 5% of pre-COVID traffic. In the most recent federal budget, Canada set aside \$82.5 million to fund COVID-19 testing infrastructure at Canadian airports. Daniel Gooch, president of the Canadian Airports Council, said that expectations for airlines are still unclear for the long term.

Travel demand has ramped up as vaccination rates have increased in 2021. In the article above, I'd discussed the rise in activity for travel agencies for the upcoming fall season. Meanwhile, airlines have moved to cheapen domestic flights in order to bolster traffic.

Can Air Canada recoup its 2020 losses?

Back in May, I'd [discussed](#) whether Air Canada would be a top **TSX** stock again this decade. Its shares were battered in the early 2010s. Indeed, the airline industry was hit hard following the 2007-2008 financial crisis. There were fears that even top airlines were at risk of bankruptcy.

Fortunately, Air Canada managed to traverse the turbulence of the financial crisis. The stock posted a 10-year total return of 3,680% from January 1, 2010, through December 31, 2019. Better yet, management has worked to bolster its balance sheet over the past decade. It took the lessons of the previous financial crisis and that provided it with some cushion in the face of the devastating pandemic.

The **S&P/TSX Composite Index** has recouped its losses and then some since the March 2020 [market pullback](#). Air Canada and its peers should start to gain momentum as this industry is finally able to return to regular operations in the months ahead.

Should you buy Air Canada today?

Shares of Air Canada have dropped 10% month-over-month as of mid-afternoon trading on July 12. It is trading in favourable territory relative to industry peers. The stock veered near oversold levels in late June. I'm still looking to snatch up Air Canada stock at its current price as we approach the middle of July.

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