Why Air Canada Could Make You Rich This Decade

Description

Earlier this month, I'd looked at three reasons for investors to scoop up **Air Canada** (TSX:AC) this summer. Its shares have climbed 15% in 2021 as of early afternoon trading on July 29. The stock has increased 55% in the year-over-year period. Today, I want to discuss how an early investment in Air Canada could make you rich by the end of the 2020s.

How Air Canada made investors a fortune in the 2010s

Air Canada was one of the top-performing TSX stocks in the last decade. Its shares delivered a return of 3,680% from January 1, 2010, through December 31, 2019. When the 2010s started, Air Canada and the airline industry at large was in a deep crisis in the wake of the 2007-2008 financial crisis. Fortunately, it rode the broader recovery and managed to bolster its balance sheet.

The company unveiled its second-quarter 2021 results on July 23. We started to see a gradual return to normalcy, which is encouraging. Operating revenues jumped 59% year over year to $837 million. Meanwhile, its operating loss shrank to $1.33 billion compared to $1.55 billion at the end of Q2 2020. Moreover, Air Canada maintained unrestricted liquidity of early $9.8 billion as at June 30, 2021.

Air Canada was encouraged by rising vaccination rates and the easing of travel restrictions. This will be a huge point going forward for the company and the industry at large going forward.

International travel is starting to heat up

Canada announced loosening restrictions on international travel in recent months. In July, airliners reopened routes to Italy and other European destinations. Moreover, restrictions on the Canada-United States border are starting to ease up.

There are concerns surrounding the Delta variant, which has led to a spike in cases in the developed world. This has been the case even in countries with high vaccination rates. However, there is strong evidence that suggests fully vaccinated citizens are well protected against serious illness. This should prevent any major setbacks for the travel industry in the weeks and months ahead.

Air Canada stock is still undervalued

Earlier this month, I'd also discussed why Air Canada stock could double over the next year. Its shares dipped into technically oversold territory in the middle of the month. The stock is still trading in favourable value territory relative to its industry peers.

In the second quarter, Air Canada dramatically improved its balance sheet. Management stated that its cash burn hit about $8 million on average per day, which beat more dire projections. This was largely due to a jump in bookings and the company's efforts to implement cost controls. A return to normal is on the horizon, but Air Canada will continue to pursue a conservative path forward on the cash front.

Shares of Air Canada are still worth roughly half of their all-time high. Investors should look to scoop up the undervalued growth stock, as air travel is set to heat up in late 2021 and beyond.

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