



Can Air Canada Stock Survive a Fourth Wave?

Description

A few months ago, **Air Canada** ([TSX:AC](#)) looked like it might finally be able to begin to recover. Vaccination rates were rising rapidly among Canadians, and provincial economies began to reopen, which all looked very positive for Air Canada stock.

Despite the fact that Canada has over 65% of its population fully vaccinated — among the best vaccination rates in the world — many experts have warned about a potential fourth wave.

We're still in the summer months, and cases are already rising across Canada again. This is leading to a tonne of uncertainty. Rising cases are not what we want, but if the vaccinations can protect us from severe illness, the shutdowns may not be as severe as they have been in the past.

The hospitalizations will be the key number to watch. Nevertheless, none of this could matter for Air Canada stock if the travel industry can't recover.

The longer Air Canada stock has to wait, the lower your potential return

Air Canada stock has been losing money for over a year now, and every day it can't break even, the airline is losing millions of dollars. Already the stock's fair value has fallen significantly since the start of the pandemic.

It's had to [dilute shareholders](#) by issuing shares. That's not all, though. Air Canada has also had to take on a tonne of debt, so the company desperately needs to recover as soon as possible.

And while a recovery in domestic travel is possible and could certainly help the company, the stock faces stiff competition back home. So even if the fourth wave in Canada is less severe than the past waves, that may not be enough for the stock to recover this year.

The rest of the world has had a hard time dealing with the Delta variant, and right now, only a little over 20% of the world population has been vaccinated, showing we are still a long way off from having this

pandemic under control.

So this uncertainty looks unfortunate for Air Canada stock which could struggle to see a full recovery for years.

Is the stock worth an investment today?

In my view, there is more risk than there is the potential for a reward at this point for Air Canada stock. While we have handled the pandemic well in Canada recently, the international response to the pandemic is the biggest concern.

And although there isn't that much risk that the stock sells off rapidly anymore, there also isn't that much potential for investors.

The stock has lost so much value already throughout the pandemic, by my calculations, it's worth no more than \$30 a share at writing. Analysts seem to agree with a consensus target price of just \$31.

So while there *is* upside potential today, you need to decide if the risk is worth the reward. And because the stock is losing money consistently in this environment, unfortunately, you can't just buy the shares and hold them until the stock recovers.

So while there is little risk that Air Canada stock crashes rapidly, the bigger concern is whether it can recover soon before it loses a lot more value for investors. And as that looks unlikely, I'd forget about Air Canada for now and look for other high-quality [growth stocks](#) to buy instead.

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