



## Where Will Air Canada (TSX:AC) Stock Be in 5 Years?

### Description

**Air Canada** ([TSX:AC](#)) stock has given investors a rocky ride over the last 18 months. It started 2020 off at over \$50.9, then it crashed to \$12.4, and then rallied again to before settling down at an average of a little over \$25. For a while there, it looked like AC stock was back on the upswing.

Then Delta happened. The COVID-19 Delta variant started sweeping the globe in 2021, leading to new public health measures in places like China, Australia, and New Zealand. That combined with general market turbulence may have contributed to a selloff in AC stock, which now trades for \$23.75.

It's been a rough ride for investors. But it may be worth holding on. Air Canada stock was actually in a bullish long-term pattern before COVID-19 hit, rising 5,555% in the eight years leading up to its peak price. It's actual still up thousands of percentage points from its 2012 low (around \$0.9). If things get back to normal, then Air Canada may still have substantial gains to deliver from here. The question is, will they?

### The COVID question

COVID-19 is, of course, the big question mark hanging over Air Canada. Since the pandemic began, it has imposed significant damage on the company. Some highlights include

- [\\$4.6 billion in 2020 losses](#);
- Another \$1.3 billion loss in Q1;
- A 90% reduction in passengers and revenue; and
- Deteriorating financials that had to be remedied with a \$5 billion federal bailout.

It's been a grim sight to behold. So, it's no wonder this stock is down more than 50% from its all-time high. The fundamentals are just not good, and a [Delta Variant surge](#) could make them worse.

If Delta hits in a big way in the fall, then federal and provincial governments are likely to impose

- Lockdowns;

- 14-day self-isolation orders for travelers;
- Travel advisories;
- And more.

All of these policies discourage people from traveling, which is why Air Canada's revenue collapsed 90% in the first quarter of 2020. Airlines can't make money when people aren't traveling, and with enormous fixed costs, that damages their financial picture over time.

## Long-term secular growth

If the situation facing Air Canada today seems dire, it's important to remember that the company has been here before. In 2003, it entered bankruptcy protection, then in 2009, it took a bailout from Ottawa. It was losing money rapidly. But within a few short years of the bailout, the company was back to business as usual, and the stock started rallying.

If it happened then, it could happen now. The COVID-19 pandemic won't last forever, and once it's over, Air Canada will be able to start growing again. A Delta outbreak in the fall would be a major headwind that would likely make profits impossible in 2021. But in 2022? 2023? Who knows? Maybe it could happen. In its first quarter 2020 press release, Air Canada said it would take three years to get back to 2019 revenue levels. That's a long time to wait, but the reward for patient investors could be substantial.

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