



Air Canada's (TSX:AC) Stock Price Could Double Within a Year

Description

Air Canada's ([TSX:AC](#)) stock price has been confined within a narrow range of \$23.50 to \$25.50 per share for the last couple of months. The largest Canadian passenger airline company currently has a market cap of \$8.6 billion, as its stock continues to underperform the broader market. Air Canada's shares are currently trading with only 8% year-to-date gains compared to a 19.6% rise in the **TSX Composite Index**. Nonetheless, I find its stock very attractive at its current market price and expect it to yield solid returns in the next year. Let me explain why.

Air Canada's stock price recovery

Several positive factors — including a government's financial support package, strong liquidity, and rising air travel demand — have seemingly failed to boost Air Canada investors' confidence this year so far. This fact clearly reflects Air Canada's stock price right now, as it's still about 54% off its January 2020 record-high levels.

We must not forget that the airline company's overall business was flourishing just before the pandemic had a devastating effect on its operations. I agree that Air Canada might continue to face operational challenges in the near term due to higher costs driven by pandemic-related measures and short-term concerns about new COVID variants. However, I expect these factors not to affect a consistent recovery in its financials.

Most other companies that were badly affected by the pandemic have seen a strong recovery in their share prices in 2021 — largely based on their recovery expectations. When we compare the recent Air Canada stock price movement with such companies, we can see how its stock has remained underappreciated, despite rising demand and hopes for a recovery.

The worst phase is over

Until a few months ago — when new variants of COVID-19 started spreading — it was extremely difficult for anyone to predict when the air travel demand would start recovering. That's when many

experts started popping up on news shows, claiming that air travel demand recovery is nearly impossible this year. Such negative factors erased Air Canada's most of the year-to-date gains.

In contrast, in the second half of July, most large airline companies in the United States and Canada — including Air Canada — confirmed a sharp recovery in advance bookings and overall travel demand. But Air Canada stock still hasn't seen any recovery since then. In fact, it has shed nearly 4% since mid-July.

In the last couple of months, Canada has also announced its plans to ease travel restrictions amid increasing vaccination rates. For example, the federal government has now [removed](#) mandatory quarantine requirements for travelers — also allowing fully vaccinated international travelers into Canada. These positive factors point towards Air Canada's sooner-than-expected financial recovery, which could help its stock price surge in the coming months.

Foolish takeaway

While Motley Fool investors largely prefer to invest in [cheap high-growth stocks](#) for the long term, Air Canada stock could be a great addition to their portfolio right now, in my opinion. It could help them get even better returns in the long run, as the airline company's worst phase of this pandemic crisis might already be over.

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Date

2025/06/28

Date Created

2021/09/07

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