



Where Will Air Canada (TSX:AC) Stock Be in 10 Years?

Description

Air Canada ([TSX:AC](#)) stock is in a tough place. Trending downward ever since this summer, it currently trades at just \$22—near the lows for the year. For a while, Air Canada was thought to be in the midst of a recovery. After the COVID-19 vaccines were announced last November, the stock started rallying. That continued for the better part of a year. But after a couple of earnings releases showed that the company was still losing billions, it began its current downward trajectory.

That brings us to where we are today. COVID-19 is still out there, and Air Canada's passenger levels are still depressed. As long as this remains the case, then the company will not return to profitability. In this article, I will explore Air Canada's long-term prospects to try to gauge where it could be in 10 years.

Air Canada's last brush with bankruptcy

In 2020, Air Canada came dangerously close to bankruptcy. Bleeding out \$20 million in cash per day, [it was burning through its liquid assets at a remarkable pace](#). Eventually, the federal government stepped in to provide the company with [a bailout](#). Consisting of \$5.5 billion in low-interest debt and \$400 million in equity, it helped AC stay afloat. However, the funds won't last forever; \$5.9 billion will only take you through about six quarters of billion-dollar losses. So bankruptcy remains a real possibility for Air Canada.

The question is, could the company survive it?

To answer that question, we need to look at history.

In 2003, Air Canada entered bankruptcy protection to ward off a hostile takeover. The company intentionally made its balance sheet ugly in order to make itself less attractive to **ONEX**, the company that was trying to acquire it. After entering bankruptcy protection, Air Canada re-emerged as **ACE Aviation Holdings**. It continued experiencing financial difficulties. In the late 2000s, the stock fell as low as \$0.85. If you had bought at that price and held to the pre-COVID high of \$50, you'd have realized a 5,700% return.

Will this time be different?

As we've seen, the last time Air Canada went through financial difficulties as serious as those it's going through now, it delivered amazing returns to investors.

The question is, will that happen again?

Most likely, no. At least not any time soon. The thing is that AC stock never fell as far as it did in 2009 last year. The company was on the verge of collapse, but the lowest it went was \$12.4. Today it's nearly double that. If the stock were to recover to its all-time high, it would only rise about 127%.

While that's a good return, it's nothing like the moon shot AC delivered after its late 2000s troubles. The company expects it to take two more years to return to 2019 revenue levels. So realistically, \$50 is the most we can expect for 2023. I'd say something slightly higher than that, maybe \$70 or \$80, would not be an unrealistic place for AC to end up in 10 years.

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