Air Canada Stock (TSX:AC) Drops From New Omicron Variant — Now What?

Description

Air Canada (TSX:AC) shares dropped about 11% last week when news of the new Omicron variant of COVID-19 caused countries, including Canada, to close up borders. The new variant, detected first in South Africa, looks to already be stretching around the world. And of course, this left Motley Fool investors and others worried about at least the immediate future of Air Canada stock.

The variant

The big struggle with this new variant is that so little is known. And these question marks are what could be a huge damper on the immediate growth in Air Canada stock.

First, the severity of this new strain is unknown right now. While some doctors in South Africa state the symptoms are relatively minor compared to other strains, this new variant hasn't had the time to prove its strength. Further, it's unknown whether current vaccines work on this variant.

The struggle to get Canadians to get the vaccine continues, which could lead to a severe drop in customers for many industries, airlines included.

The potential fallout

This new variant therefore could put a huge halt on all the progress Air Canada stock has made in the past few months. The company recently saw its seating capacity increase 87% year over year during the last quarter, with revenue nearly tripling. Further, it stated it would no longer give a cash burn outlook, as the future looked brighter for the company, with the chief executive officer stating it was now in "recovery mode." The company believed Air Canada stock could be back to normal by 2024 or even 2023, instead of 2025.

But with this new variant, Air Canada stock has yet to release a statement. But Motley Fool investors and others were more than just skeptical. Should a new vaccine be needed, airline traffic could come to a halt. Air Canada stock may even need to cut its seating capacity once more. And as this variant surges, Canada may limit its borders to more than just South Africa.

Dump or pump Air Canada stock

Now that you know the current situation, what should long-term Motley Fool investors think of Air Canada stock today? In short, Air Canada stock remains a good buy for long-term holders. And here are a few reasons why.

While it may not seem like it right now, the pandemic *will* eventually end. So shares in Air Canada stock will climb eventually, even if it takes years.

That makes today's share price a good one, and it will likely rebound to last week's levels relatively quickly, especially if positive news comes out about the variant. Such positive news could include vaccines like Pfizer's covering this new strain. That could see Air Canada stock climb even higher.

But whether that happens or not, Air Canada stock is a good buy today. It recently returned the rest of its government bailout aid and signed onto a new financing agreement for $7.1 billion. That will certainly help during this pullback, with its own limitations rather than the governments. Further, today's share price is significantly lower than the norm of around $25 per share this year, so a quick jolt could come relatively soon.

Foolish takeaway

Long-term, it's likely Air Canada stock could in fact double next year for the patient investor. But until then, it can't be denied that the airline industry is a risky place to invest. If you can't hack it, I'd stay away. But if you have the patience to hold on for a decade, then today's share price could be a near bottom that you won't see again.

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