



Should You Buy Air Canada (TSX:AC) in 2022?

Description

Air Canada ([TSX:AC](#)) was one of the hardest-hit stocks in Canada when COVID-19 came along. The company's revenues plummeted when the global health crisis became widespread and grounded most flights flying domestically and internationally. Like all airline companies, Air Canada has several fixed costs that it had to contend with, despite not generating significant revenues.

As its revenues declined further in 2020, Air Canada stock's share price nosedived by almost 77%. Most stocks trading on the stock market went through similarly drastic declines during the initial weeks after the onset of the pandemic. However, most of them managed to recover to their pre-pandemic levels in the following months and reached [new all-time highs](#). Air Canada stock never managed to even come close.

A false sense of hope

2021 saw Air Canada stock slowly start recovering. The advent of vaccines for the novel coronavirus spurred a new sense of hope among Canadian investors. The anticipation was that business would begin booming for Air Canada soon, and investors would see significant shareholder returns through a swift recovery.

The first few quarters of fiscal 2021 showed some signs of life in Air Canada stock, but that swift recovery never came. Air Canada still posted several quarters of losses, and it has been on a downward trajectory for the last few months. But fortunately, it is still a long way away from its 2020 pandemic lows.

A new variant of the COVID-19 virus has come along in recent weeks, and it is making matters worse. Air Canada has seemingly gone from being an [undervalued stock](#) to being a speculative investment in the current environment.

Foolish takeaway

While we are in the middle of a surge of new COVID-19 cases due to the Omicron variant, the situation seems a little more hopeful than it was in 2020. Omicron has led to lockdowns and travel restrictions, but we are seeing much higher vaccination rates this time around. The new variant appears to be contagious, but its symptoms have not been as severe.

Hospitalization rates have been considerably lower for vaccinated people. It means that there is hope for higher vaccination rates, eventually allowing the world to move past the pandemic. While the surge in new cases is ongoing, we are looking at the pandemic largely easing up. More people are becoming vaccinated, and booster shots have become available to everyone who needs them.

And it has not all been bad news for Air Canada stock during all this. The previous quarterly performance report showed that Air Canada generated \$2 billion in revenue, up by almost 200%. The airline's operating losses were reduced to half, and its net loss fell by \$45 million.

If you have been looking for signs that can tell you whether Air Canada stock could be a turnaround bet for 2022, they are all there. At writing, Air Canada stock is trading for \$21.13 per share. It's trading for an almost 60% discount from its pre-pandemic highs. It will be some time for the stock to reach those levels again, and it is likely to face more [short-term challenges](#). But a recovery in the airline stock could be on the cards this year.

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