



Travel Is Returning: Buy Air Canada (TSX:AC) Stock?

Description

One of the best ways to maximize the return potential of an investment is being ahead of the curve, i.e., buying breakthrough stocks when they are downtrodden. It's a difficult trick to pull off since it requires a lot of patience, a healthy risk tolerance, relatively disposable capital, etc. This strategy has a financial flaw since it requires you to tie your capital, sometimes for years, to an asset that may not pay off, and you also lose out on predictable slow growth.

However, there are times when being ahead of the curve is relatively easy but relatively less potent. One example would be **Air Canada** ([TSX:AC](#)) stock in the current environment.

Air travel industry

The air travel industry around the world is recovering. According to one projection, global air travel demand might reach about 84% of the 2019 level by the end of this year. This will be different for different countries, and Canada and Air Canada, by extension, might fall lower or reach higher than this point. Still, it's a very optimistic indicator of recovery.

However, we have to take the potential hindrances to this recovery into account as well. Air Canada is still appealing to the government to lower COVID restrictions. Though it's not a regional dispute, the Russia-Ukraine war could have broader consequences for the world that we just can't anticipate yet. But, even if the demand misses this mark, the chances of [full recovery](#) by the end of 2023 are highly likely.

Should you buy Air Canada stock?

The answer is [more complex](#) than a simple yes or no. The choice is highly individual-centric and governed by factors including risk tolerance, growth goals, capital appreciation timelines, etc. At its current price of almost \$24 per share, the stock is capable of doubling your capital if it only reaches its pre-pandemic peak. And if it can surpass that point, you may be able to bag much more potent growth.

But it would be wrong to assume that the stock's growth will sync perfectly with the international air travel demand recovery. The stock may start spiking as soon as quarterly earnings turn a corner, but it may also stagnate at or above \$30 even after 2023.

The pre-pandemic valuation is not too lofty a goal, and the stock (most likely) *will* hit that mark sooner or later. You have to decide whether it would be better for you to buy and wait for that long, tying up your capital, or you can buy just before or after the growth pattern is set, even if you lose out on the current powerful discount.

Foolish takeaway

The airline [bear market](#) might be near its end in Canada. If the airline hadn't bled as much as it did and didn't have to dilute its shares and take on more debt, investors would have been more open to buying it. But even over-leveraged as the airline is right now, its competitive edge should not be disregarded.

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