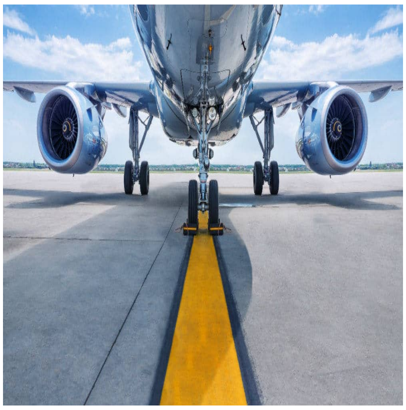

Air Canada (TSX:AC) Stock: Where Will it Be in 5 Years?

Description

Air Canada (TSX:AC) stock has taken its investors on a roller coaster of a ride on the stock market ever since the pandemic struck. Air Canada stock was trading for around $51 per share on January 17, 2020. Its valuation dropped to $12.41 per share by March 20, 2020, erasing most of the gains accumulated over several years.

The air travel industry worldwide tanked due to the travel restrictions imposed to slow the spread of COVID-19. Two years on, things have started to improve on the pandemic front, and air travel is returning to a relative degree of normalcy. One projection stated that global air travel demand will recover to around 80% of its 2019 levels by the time this year comes to an end.

A full-blown recovery might realistically be on the cards for the battered and bruised flag-carrying airline. However, the recent-most decline by 17.76% in its valuation might warrant being a little cautious. Today, I will take a brief look at where Air Canada stock is right now and what the next five years could hold for the airline.

What caused the decline?

Shares of Air Canada stock dipped by 17.76% between March 2, and March 7, 2022. The airline stock dipped to its lowest closing level in over a year.

The last few weeks have been riddled with increasing geopolitical concerns after Russia's invasion of Ukraine on February 24, 2022, and the subsequent sanctions against Russia for its aggression. The war between these two countries has led to supply concerns, with Russia being one of the largest oil-producing countries in the world.

WTI crude oil prices are hovering close to their highest levels since 2008, translating to higher prices for jet fuel.

Looking at the past

At writing, Air Canada stock trades for $20.80 per share. With global tensions contributing to more headwinds for the airline industry, the situation seems dire for Air Canada investors. But it is important to remember that Air Canada stock has already been in a dire situation before and came out stronger on the other side.

2003 saw the flag carrier enter bankruptcy protection to recover. The airline went with a bailout from Ottawa in 2009 to recover from another seemingly devastating slump. It resorted to another bailout earlier last year, only to reconsider it as the situation improved. If a decent recovery happened before, it could happen again.

It is important to remember that past performance is not indicative of future returns. But it presents a historical pattern you can use to determine where it might go. Barring the geopolitical tensions and their effects, the situation appears increasingly hopeful for Air Canada stock's long-term prospects.

Foolish takeaway

One of the best things you can do to maximize the return potential of an investment is to get ahead of the curve. Investing in shares of potentially breakthrough stocks at attractive valuations can help you generate immense shareholder returns during their recovery. Investing in high-growth stocks with significant long-term growth potential is not for everyone.

Air Canada stock might be a viable investment to consider for your self-directed portfolio today if you look at it from that perspective.

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