



Air Canada Stock: New Highs Ahead for 2022?

Description

Air Canada ([TSX:AC](#)) stock has been weighed down heavily in the first quarter of 2022. Despite falling numbers of Omicron cases, many investors are reluctant to place a big bet on one of the riskiest reopening plays out there. Indeed, Air Canada's international focus doesn't help the cause.

With the travel industry unlikely to recover 100% to pre-pandemic levels of normalcy anytime soon, those looking at shares of Air Canada ought to think longer term. While an abrupt recovery to all-time highs is possible if pent-up travel demand can be met for the summer, I still believe that the destruction in business travel could make Air Canada's recovery a slow and steady one that could span years.

So, in short, can Air Canada stock hit new highs in 2022?

I'd pin that as an unlikely scenario, even if a bull-case scenario unfolds. With the BA.2 variant of COVID to worry about, the pandemic's shift into endemic territory may be further off than expected. With masks coming off and consumers feeling safer about travel, though, I do think Air Canada stock can do well, perhaps better than the **TSX Index** through 2022. Currently, the \$30 level seems within reach as the company continues pushing through what could be the last of COVID's major headwinds.

Air Canada is doing quite well in the new normal

Air Canada's latest quarter saw a nice bounce in revenues. With capacity expected to ramp up in coming quarters, a case could be made that Air Canada stock is way too cheap at around \$24 per share. While the occasional outbreak could cause fluctuations in capacity, I do expect the longer-term trend to be up. Over the next three years, it's hard to imagine a scenario where Air Canada investors are crushed further. Of course, a more virulent strain of COVID could cause lockdowns, but such a 2020-style scenario is very unlikely.

For now, all eyes are on how China deals with its latest COVID surge. The zero-COVID policy may be making the situation seem far more dire than it actually is. But regardless, Air Canada seems better prepared to deal with the next wave than in any prior waves. For that reason, I like Air Canada at below \$25 per share. Though, I'd like the name even more if it were to plunge back into the high-teen levels.

Other risks that could hit Air Canada stock

With concerns over stagflation, [inflation](#), and rising jet fuel costs, Air Canada could end up being a very turbulent ride. Still, I think the latter two headwinds are already baked into the share's price. Stagflation or a recession, though, may not be. If rate hikes cause a recession, travel demand could wane, and Air Canada stock could easily fall back to \$20. However, I do think a recession will be mild, given central banks can easily cut rates if inflation backs off in response to the first rounds of rate hikes.

In any case, Air Canada stock seems like a [great deal](#). Just don't expect a recovery to the \$50 level (that would imply a double) in 2022. It could take three or four years to reach such a level. Still, such returns in a four-year time span are pretty good! As long as you fasten your seatbelt because volatility is almost guaranteed.

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