



## Air Canada (TSX:AC): Do Recent Issues Make its Stock a Buy?

### Description

The financial impacts being felt around the world as a result of the coronavirus came almost without warning. As things started to get worse, it was evident there may be some major economic consequences. Things soon escalated quickly, and many stocks have now lost significant value.

With medical professionals urging everyone to practice social distancing, and with numerous businesses being shut down, it goes without saying this will be a major strain on our economy.

Companies in all sorts of industries face some tough short-term headwinds that will require prudent management and solid preparation in order to get through this.

One company that may be the most affected stock on the TSX is **Air Canada** ([TSX:AC](#))(TSX:AC.B).

### Air Canada's troubles

Air Canada has faced pressure from the beginning. And now with many countries closing their borders in addition to health professionals and government officials warning against travel, it's clear the company is going to have some major disruptions in the near term.

Airlines in other countries have already expressed their concern, and some are saying the entire industry will need a bailout, as these are unprecedented circumstances.

During a hot economy, airlines already try to minimize the amount of time planes spend on the ground, where they aren't making money. Now, with these companies parking almost their entire fleets, it's going to be a major cash drain on these businesses over the coming weeks and months.

### Analyst predictions

Analysts have predicted that Air Canada will likely lose somewhere around 90% of its business in the second quarter with that rebounding to just a 50% loss in the third quarter. And while analysts do their

best trying to predict the outcomes, there is really no telling what may happen.

What's more important to the health of Air Canada, in my opinion, is the length of this shutdown as opposed to the number of sales the company will lose.

Analysts have also estimated that Air Canada will have to use about half to its \$7 billion in liquidity by the time it gets to the third quarter. That would mean the stock is capable of weathering a shorter-term storm, but if the problems linger, it could run into major trouble.

It's worth noting that these are just guesstimates; the numbers could end up being better or they could end up being worse. But these are the only predictions from analysts we have to go on.

## Bottom line

A lot of my fellow Fools have [suggested](#) that Air Canada may continue to decline in the short run, and that may be true. However, long term, there is no denying that there is value at these prices.

As of Thursday's close, Air Canada was trading at just over \$12 a share. That means the stock has now fallen by more than 75% from its 52-week highs. And although that is a major discount, there are still too many unknowns to make an investment today.

For investors interested in buying the stock, I'd watch it closely over the coming months. Then only take a position when you've gotten some clarity on the future and are comfortable making a long-term investment in it.

Knowing which stocks to avoid and hold off on is just as important as knowing which stocks to buy. When it comes to investing, you never want to be impulsive, or the consequences can be devastating.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:AC (Air Canada)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Investing

### Date

2025/08/28

**Date Created**

2020/03/22

**Author**

danieldacosta

default watermark

default watermark