



## Stock Market Crash 2020: Air Canada (TSX:AC) Is Totally Grounded

### Description

Is a wave of job losses coming? More than 5,000 employees of Canada's flag carrier will be laid off. According to the Canadian Union of Public Employees (CUPE), about 3,600 **Air Canada** ([TSX:AC](#)) (TSX:AC.B) mainline employees will be out of jobs effective April 30, 2020.

The layoff includes 100%, or 1,549 members, of Air Canada Rouge. CUPE is the union that represents the 10,000-strong flight attendants at both entities. Wesley Lesosky, president at Air Canada's CUPE component, said, "This has been the [most challenging time](#) any of us will likely ever experience as flight attendants."

Lesosky said the journey of all members has been tough. Since day one of the crisis, CUPE members have been on the front lines. Some of them even fallen sick while performing their jobs.

### Business slowdown

Air Canada has announced a significant reduction in flying capacity. The reasons are obvious. There is a falling demand and border closures by the government to prevent the spread of the coronavirus outbreak. Laid-off workers or those facing off-duty statuses can collect Employment Insurance and access benefits.

The airline industry is the [hardest by the pandemic](#). CUPE, however, remains hopeful that conditions will improve. If it does, Air Canada can recall or bring back the flight attendants.

Before the layoff announcement, Air Canada already made known the gradual suspension of the majority of its international and U.S. trans-border flights by the end of March. The company hopes to continue serving all Canada provinces and territories, although the domestic network will only cover 40 airports by April.

### Skeletal force

The coronavirus is causing a significant drop in traffic, because many countries are implementing travel restrictions. As a result, the revenues of Air Canada and most industry peers are dropping. Flight cancellations are happening so fast and forcing airlines to downsize operations.

Air Canada is cutting flight schedules to the bones while taking other drastic measures, including job layoffs. Bankruptcy is staring at the faces of smaller airline companies

## Severe thrashing

The market capitalization of Air Canada is down to \$3.27 billion, when two weeks ago it was at \$9.35 billion. As of this writing, the share price has fallen to \$12.41, or a 51.1% drop from \$25.37 on March 13, 2020.

If you will recall, Air Canada was the toast of the town in 2019. This airline stock posted a gain of 88.2% for the year notwithstanding the grounding of its fleet of **Boeing** 747 MAX. The company was also the past decade's top comeback story.

However, the unexpected emergence of COVID-19 erased all gains. **Moody's** is now reviewing Air Canada for a likely downgrade. The rating agency will be looking into the company's liquidity profile. Air Canada has about \$6 billion in cash and short-term investments.

Moody's will also be checking if Air Canada has the ability to aggressively reduce expenses and capital investments. Receding booking levels will result in lower cash flows. But a critical factor is the demand pattern due to the coronavirus outbreak.

## Domino effect

Air Canada had collateral damage due to the 747 MAX aircraft and is now a casualty of the coronavirus. We'll know in the next few weeks if other Canadian companies will announce job layoffs.

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