



Should You Buy or Sell Air Canada (TSX:AC) Right Now?

Description

The [coronavirus-fueled market crash](#) has affected all the sectors in the Canadian economy. While the entire **TSX Index** is significantly down from its all-time high in February 2020, there are few stocks that have been hit harder than **Air Canada** ([TSX:AC](#)).

The stock is down by almost 70% from its price back on February 25, 2020. It has seen the brunt of the market crash's effects. With the federal government announcing travel advisories and most customers canceling their trips, the company has lost substantial revenue.

The company is yet to release its earnings report for the fiscal quarter, but we can safely assume that it will be nothing but bad news for Air Canada.

As the stock plunges deeper, there are no signs of things getting any better for the company. Nobody knows how long the global health crisis may last, and the company could be set to lose money for several years.

While you might be thinking of selling the stock, I think it could be a fantastic time to scoop up more shares. Why? I think the company *will* recover, and it is only a matter of time.

The stock is incredibly cheap right now

At writing, the AC stock is trading for just \$16.08 per share. This is the cheapest that the AC stock has been in the longest time. It has an abysmal short-term outlook with no end to the COVID-19 pandemic in sight. The pandemic could last several months, or it could span more than a year. The stock is one of the cheapest among [large market capitalization companies](#) on the TSX right now.

The business will get better

While it seems like a company you would want to avoid like the plague in the current situation, Air Canada's business will bounce back. A business that does not have any revenue coming in cannot

repay its debts. While there is still significant domestic and business travel going on, AC has lost most of its revenue.

Air Canada might be forced to refinance or ask the government for a bailout if this situation continues for longer than a year. It is not the first time this company has been in such a desperate situation. In 2004, the company entered bankruptcy protection, but it came back stronger than before.

We can expect to see more of the same for Air Canada. The curve in China has successfully flattened, and the situation might improve significantly in the coming months.

Foolish takeaway

I think Air Canada will bounce back eventually. Business is horrible right now, for the airline sector across the world, due to the pandemic. However, once everything clears up, I think there will be more of a need to travel than there has been for a while. With the possibility of refinancing or a government bailout on the cards, I have a feeling Air Canada can pull through this.

I think you might want to wait slightly longer to see how the situation develops and buy its shares when prices go down further, but Air Canada is a likely buy, in my opinion.

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