



Double Your Money With Air Canada Stock (TSX:AC)

Description

For the past three years, from 2017 to the end of 2019, shares in **Air Canada** ([TSX:AC](#))(TSX:AC.B) rocketed over 250%. After that rise, it's almost inconceivable to believe that shares have fallen approximately 70% during the first three months of 2020. As stock markets around the globe have tumbled, airline stocks have been particularly hard hit.

But savvy investors should not be so quick to bail on airlines, especially with Air Canada, one of the strongest companies in the industry. An investment in Air Canada today will reap significant rewards in the future.

The company's strong balance sheet

Air Canada has the balance sheet to handle financial disruptions. At the end of 2019, Air Canada had more than [\\$7 billion in current assets](#), including cash, short-term investments, receivables, and inventory.

CEO Calin Rovinescu strongly believes the company will weather this storm. This week, he announced drastic measures regarding Air Canada's ability to stay afloat during this crisis.

These measures include:

- A company-wide cost reduction and capital deferral program, targeting at least \$500 million,
- Drawing down operating lines of credit of approximately \$1 billion, to provide additional liquidity,
- Suspension of its share repurchase program, and
- Slashing executive compensation.

Rovinescu, as well as the company's CFO, have agreed to forgo 100% of their salary. Other senior executives are expected to take a 25% to 50% salary reduction.

The company's board of directors have agreed to a 25% reduction. All other Air Canada managers will have their salaries reduced 10% for the entire second quarter.

Workforce reduction

In a move announced on March 30, Air Canada will cut its capacity by up to 90% next quarter. The company also announced it will temporarily reduce its workforce by approximately 16,500.

Effective April 3, approximately 1,300 managers will be furloughed and around 15,200 unionized employees will go on "off-duty status."

In an effort to quell investor and employee nerves, Rovinescu said that these measures will ensure that Air Canada is "positioned to restore regular operations as soon as the situation improves."

Canadian government aid package

The entire industry is awaiting details of the expected government aid package that will presumably be offered to airlines.

Last week, Prime Minister Justin Trudeau announced a new wage subsidy program. Trudeau also publicly acknowledged that many industries facing the worst impact of the crisis, such as airlines, will need additional help beyond wage subsidy and loan credit measures already announced by the federal government.

The bottom line

While the outlook for the airline industry is uncertain right now, Air Canada has the resources to stay the course.

Prior to the crisis, Canada's largest airline served over 50 million customers annually at over 200 airports on six continents.

While no one knows how long it will take the airline to return to this level of service, investors should feel confident that the drastic steps being taken today will help the airline recover more quickly.

Patient investors who purchase the stock at a 70% discount (to its price just a few weeks ago), should see their investments grow, and possibly double once the crisis is abated and people begin to travel once more.

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

2025/08/26

Date Created

2020/04/02

Author

cdye

default watermark

default watermark