



Airline Market Crash: Giant Buy Signal for Air Canada (TSX:AC)

Description

Air Canada ([TSX:AC](#)), the country's premier airline and its face in the international skies, has an unfortunate history. The company filed for bankruptcy in 2003, partly because of the business it lost due to the SARS virus. If we compare SARS to the coronavirus, it was a relatively milder threat. So it's understandable that the company's stock has dropped over 76% since January.

Right now, many investors are trying to decide whether it's a highly lucrative buying opportunity or a burning ship. The company recently announced extending its loyalty program for frequent fliers. The move isn't unique (two other airlines did the same thing before Air Canada), but it shows that the company hasn't yet thrown in the towel.

Restructuring

Laying off half its staff can hardly be branded as "restructuring," but that's the most polite way of putting it that I could think of. The company is also grounding its maiden airbus 320. This shows that the company is "shedding weight." Even if it seems very harsh, the company is becoming as light as possible, to be able to face the headwinds buffeting the whole airline industry.

The company already went through bankruptcy. And later, as a result of a [major restructuring](#), emerged as a tightly run ship. This is evident in the company's performance and growth over the past five years. The company showed its investors its true potential. And it has yet to show whether it can weather the storm or not.

Buy signal

Extending the flyer loyalty program might not seem like much, but it's an indication that the company is trying hard to retain its clientele. Also, the government hasn't announced a stimulus package for airlines yet, but if it comes, Air Canada might be the first recipient. And the company still has the resources and funds to hold out until then.

Many investors might find it hard to make a call about buying into Air Canada or staying away, primarily because the future is very bleak. No one is sure how long will the pandemic continue to rage and keep people from travelling. Another reason to be uncertain is the looming recession, which is getting closer and closer, accelerated by the pandemic.

Still, Air Canada's management has shown that they can rebuild their company from the ashes. Investors can hope that they are capable of doing it again. While cutting half the staff might not seem like a good indicator, it shows investors that the people running the company are capable of making tough decisions.

Foolish takeaway

If you believe that there is even a remote chance that the company will get through this without dissolving, then you might not get a better time to buy in. The stock is definitely flashing a giant buy signal, but only if you have a high [tolerance for risk](#).

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