



## Air Canada (TSX:AC) Investors Just Can't Stop Worrying

### Description

The anxieties for **Air Canada** ([TSX:AC](#)) and its investors seem far from over. The lockdowns and extended travel restrictions due to the COVID-19 pandemic continue to hamper the biggest airline in the country. Air Canada [announced](#) yesterday that it will suspend all flights between Canada and the U.S. starting April 27. It plans to resume these operations on May 22.

### No respite for Air Canada investors

The company announced travel restrictions on this route on March 21, but it was operating with minimal capacity to repatriate Canadians. The operations will now be fully suspended starting April 27.

It had trimmed its operations by 90% since last month amid closed borders. To add to the woes, last week it had extended most international route suspensions until June. Airline companies are some of the hardest hit by the pandemic, and Air Canada is no different. AC might take a huge dent on its bottom line in the next few quarters, as almost entire of its operations have come to a standstill.

Air Canada plans to report its quarterly earnings early next month. Analysts are estimating approximately an 18% revenue drop in Q1 year over year. However, this will still be a tolerable number for the airline and its investors. Given the extended lockdowns and travel suspensions, there is a high probability that its second-quarter numbers will be much uglier than Q1.

### More downside in AC?

Thus, how will Air Canada stock trade if there is a streak of negative news? The stock will most likely continue to trade immensely volatile. It has already tumbled more than 65% since its 52-week high early this year. Even if it has almost doubled since its recent lows of \$9.2, investors should not perceive it as a lasting recovery.

At the beginning of 2020, Air Canada had a market capitalization of almost \$21 billion, which, at the time of writing, has fallen well below \$7 billion.

Many analysts are recommending [Air Canada stock](#) as an ideal pick for long-term investors. They think the stock is attractive mainly based on its insanely cheap valuation multiple at the moment. AC stock is trading close to three times its historical earnings per share. However, investment is forward looking, so price-to-earnings based on forecast earnings would be more prudent. Notably, there is so much uncertainty surrounding Air Canada's earnings in 2020, I believe it would be a highly risky bet for investors.

## What's next for Air Canada?

When the border restrictions and lockdowns will be released remains to be seen. It would be crucial for Air Canada to start operating at least with some capacity to generate necessary cash flows. It has a strong cash position as of now, but things could get shoddier in case of longer-than-expected suspended operations. Even if the government aid comes, it will likely hamper existing shareholders.

Thus, I think this ugly set of uncertainties might keep investors at bay. Some relief on the pandemic front and some light on resuming operations possibly by June could pave the way for Air Canada stock going forward.

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