



## Flight Lockdown: More Bad News for Air Canada (TSX:AC) Stock

### Description

The [room to maneuver](#) in the wake of the coronavirus outbreak is getting smaller and smaller for **Air Canada** ([TSX:AC](#)). You will no longer see Canada's flag carrier fly the sky following a flight lockdown. Most of its international flights have been suspended until June 2020.

On May 4, 2020, Air Canada President and CEO Calin Rovinescu, along with CFO Michael Rousseau, will be presenting Air Canada's first-quarter results. Investors will have the opportunity to find out the [true state](#) of the beleaguered airline company.

### More bad news

Air Canada completed its special flights as part of the repatriation operations program of Global Affairs Canada. It took 21 flights in total to repatriate about 6,600 Canadians stranded in seven countries. The limited service that began March 21, 2020, is now over.

During the period, Air Canada was operating from its Montreal, Toronto, and Vancouver hubs and 11 U.S. destinations. The only purpose was to facilitate the repatriation of Canadians.

However, the decision to extend the suspension of more than 160 routes is another telling blow to the plight of Air Canada. The operations of the company's network have been significantly reduced by 90% already. Without leisure and business travel, Air Canada's tailspin is inevitable.

### Shift to cargo services

Air Canada is now reconfiguring the cabins of three of its Boeing 777 aircraft for additional cargo capacity. After the conversions, the aircraft will be ready for service.

Tim Strauss, Vice President of Cargo at Air Canada, said the converted planes will bring or deliver critical medical and other vital supplies across Canada. Each of the converted wide-body aircraft will have double capacity per flight so more goods can be moved rapidly.

Air Canada is doing unprecedented work by reconfiguring the interior passenger space of its Boeing-777 commercial aircraft. The company is helping fill the massive demand for airfreight capacity. All landing rights and permits have been obtained as well.

## Bigger challenge

Air Canada's bigger challenge is averting a liquidity crisis that could lead to bankruptcy. COVID-19 is threatening the existence of the global airline industry. Major airline companies, including Air Canada, might not be able to survive mounting losses. Many would eventually run out of cash.

A **Bank of Nova Scotia** analyst, Konark Gupta, foresees a 66% drop in Air Canada's profit in 2020. However, the company contends that it has enough financial resources to ride out the pandemic.

As of December 31, 2019, the most dominant airline in Canada had \$2-billion in cash and cash equivalents and short-term investments worth \$3.8-billion. Based on the research of the same bank analyst, the challenge is transitory. Air Canada's balance sheet is solid compared with other global airlines.

## Massive bailout

Investors are worried that Air Canada will become a major casualty of the coronavirus pandemic. Revenues are declining sharply that it might need federal government support or bailout. Likewise, the potential takeover of **Transat AT** might not be a consideration anymore.

The lifeline of Air Canada is now contingent on the extent of support the federal government will provide. A massive bailout will be at the expense of taxpayers.

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