



Warren Buffett Ditches Airline Stocks: Time to Sell Air Canada (TSX:AC)?

Description

Warren Buffett had a lot of knowledge to share with investors this Saturday. The biggest takeaway of most investors was the fact that the Sage of Omaha had [thrown in the towel on all his airline stocks](#) amid growing coronavirus-related uncertainties.

There's no question that the pandemic will have a long-lasting impact on many industries, such as the airlines. That means a sound investment like **Air Canada** ([TSX:AC](#)) in the pre-pandemic era may be nothing more than speculation in the coronavirus era.

As such, investors should re-evaluate their positions that have been severely hit by the coronavirus and ask themselves whether their original long-term theses still holds up in these pandemic-plagued times.

Warren Buffet's long-term thesis hurt by COVID-19

For Buffett, the coronavirus had essentially nullified his original thesis on the airlines.

Buffett didn't "trim" the airlines — he threw in the towel on all of his airline stocks, acknowledging that he made a mistake by giving them a second chance after shunning them for decades. While Buffett may be hard on himself for his soured airline bets, I don't think every investor should follow in his footsteps by ditching (and shunning) shares of Air Canada.

The pandemic has brought forth many uncertainties that make it tough to gauge an intrinsic value in airline stocks. But that doesn't mean you should give up on Air Canada if you're in the belief that the air travel industry will return to normality within a few years.

Given that nobody knows the future of the coronavirus pandemic, it's impossible to tell whether Air Canada is actually a deep value bet or a value trap right now. We'll only know for sure by looking back because, like it or not, airline stocks are a trade on the outcome of the coronavirus, making them speculative plays that may not be suitable for every type of investor.

Air Canada stock is still worth betting on for certain youngsters

If you're young, Air Canada is still worthy of betting on at these depths, especially if your long-term thesis on the airlines hasn't changed in the face of the coronavirus. As a younger investor, you have the ability to take more risk than most older investors and should seek to place a few speculative bets here and there with a small chunk of your portfolio.

Unlike many of the U.S.-based airlines, Air Canada is in a better liquidity position, having not spent nearly as much on share buybacks over the years. That doesn't mean that the Canadian airline can't run out of money should the pandemic cause travel restrictions to last longer than expected. Moreover, there's also no telling when people will be comfortable flying again in the post-pandemic environment.

It's pretty much impossible to have an accurate coronavirus timeline at this juncture. But if you're in the belief that people will embrace air travel again in the post-pandemic environment, it makes sense to stay the course with Air Canada stock in spite of the turbulence.

Foolish takeaway

Air Canada could be a significant multi-bagger should the air travel industry return to normality within the next three or four years. But on the flip side, Air Canada stock could fall towards \$0 if the worst-case scenario plays out, and the air travel industry is permanently tarnished from the coronavirus.

Warren Buffett doesn't make spec bets, but that doesn't mean you shouldn't, especially if you're a young investor who's willing and able to take on the [elevated risks for a shot at outsized returns](#).

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