



Warren Buffett Dumps ALL of His Airline Stocks! Should You Sell Air Canada (TSX:AC)?

Description

Recently, investors got a surprise when the “Oracle of Omaha” sold \$300 million worth of **Delta Airlines** shares on the dip.

On Saturday, they got an even bigger shock, when Buffett announced he’d liquidated his *entire* airline portfolio.

At **Berkshire Hathaway’s** annual meeting, Buffett said that the future for airlines is bleak. Corroborating what I’ve written in past articles, he explained that passengers may never resume their previous travel habits. Sooner or later, travel restrictions will be lifted, but passengers may voluntarily opt out of air travel for years.

Speaking to that possibility, Buffett hinted that passenger miles could still be down “two or three years from now.” While not a specific forecast, the “uncertainty” he alluded to was enough for him to pull out of airlines.

That’s not great news for those airlines’ shareholders. And what’s true of the airlines Buffett owned is also true of **Air Canada** ([TSX:AC](#)). To understand why that’s the case, we need to explore Buffett’s recent selloff in more detail.

Why Buffett dumped airline stocks

The main reason Buffett sold airline stocks because they’re at risk of long-term passenger loss. That’s obvious enough from the airlines’ own figures. Recently, Air Canada stated that it had cancelled 90% of its flights. Other North American airlines have reported similar numbers. So, clearly, revenue is way down.

Such revenue loss is a concern as it is. For Buffett, however, the long-term financial impact is the real doozy. Airlines are capital-intensive businesses, and they can’t operate for long without revenue. In his

shareholder meeting, Buffett said that U.S. airlines would have to borrow \$10-\$12 billion each. He also added that [dilutive equity issues](#) were a real possibility. Either of these outcomes would hurt current shareholders. And they're both real risks for Air Canada.

Should you sell Air Canada?

Having established that Buffett has decisively soured on U.S. airlines, we can move on to the big question: Should you sell Air Canada stock?

The answer is probably yes.

Over the years, Air Canada has been a [huge riser in the markets](#), going from \$0.90 per share to \$19. If you got in at \$0.90, maybe you could still hold on in hopes of a recovery. Having acquired AC for next to nothing, you'll be able to sell it at a gain for the foreseeable future. This gives you some room to hold out hope.

If you got in AC near its current price, though, it's time to cut your losses. There's just nothing happening to suggest that AC will get back to its pre-COVID levels. Flights will resume, but nobody knows when they'll get back to their pre-crash levels. As mentioned earlier, Buffett thinks the airlines could still be hurting two or three years from now. It's just not a great time for the industry, Air Canada included.

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