



## Will Warren Buffett Buy Air Canada (TSX:AC)?

### Description

Warren Buffett is keeping a low profile in the wake of the COVID-19 pandemic. Nevertheless, the legendary investor remains in the limelight. The investment world is abuzz with speculations regarding his plans during the market crash.

Many companies need saving. Among them is [beleaguered Air Canada \(TSX:AC\)](#). This airline stock was chosen by the **Toronto Stock Exchange** (TSX) as one of its 30 top-performing stocks in 2019. The TSX30 is a flagship program that endorses the cream of the crop.

Under normal conditions, Air Canada would be a viable growth stock. But in abnormal times like today, it's not worth considering at all. However, Buffett might see value in Air Canada that we don't see. Would he buy the stock to make it his third TSX stock holding?

### A white knight in waiting

**Berkshire Hathaway**, under the guidance of Buffett, made large investments during the 2008 financial crisis. The total investment exceeded US\$15 billion. Blue-chip companies such as **Bank of America**, **General Electric**, and **Goldman Sachs** ran to him for financial lifelines.

You can consider the investments as his masterstrokes in the crisis-era. Buffett, however, denied the S.O.S. of Lehman Brothers and AIG. With the coronavirus-induced market crash, expectations are high that Buffett will again be a white knight. Instead, the billionaire was rattled and fearful.

After incurring sizable losses from **Delta Airlines** and **Southwest Airlines**, Buffett dumped the [airline stocks](#). Berkshire did not sell the entire holdings but reduced the stake to below 10%. Thus far, there are no signs he will unload his TSX gems, **Suncor Energy** and **Restaurant Brands**.

Buffett is keeping his aces close to his heart, anticipating government bailouts in hard-hit industries like the airline sector. The silence from his camp is deafening, although he might be waiting to see the extent of the bailouts. Until then, however, Buffett is not moving.

## The case for Air Canada

The aviation industry is one of the economic enablers in Canada. Air Canada is the largest airline company in the country. Its airline transport services (passenger and cargo) are available on six continents and in more than 200 airports.

In 2019, Air Canada reported impressive financial results. The company achieved two record-breaking feats. Its operating revenues hit \$19.13 billion while unrestricted liquidity amounted to \$7.38 billion. Furthermore, operating income stood at \$1.65 billion versus the \$1.49 billion in 2018. EBITDA margin was a high 19%.

Unfortunately, all milestones last year have no bearing today. Air Canada is not only in a slump, but is also on the verge of bankruptcy. The federal government has yet to lift its finger to pull the company out of the pits. An extended flight lockdown will place Air Canada in grave trouble.

## Rescuer wanted

Air Canada would have been the best airline in North America in 2020 if there was no coronavirus outbreak. The outstanding performance in 2019 was the prelude to taking prominence in the global stage. This airline company remains a powerful engine of economic growth. Who knows, Buffett might even come to its rescue.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:AC (Air Canada)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Investing

### Date

2025/09/16

### Date Created

2020/05/08

### Author

cliew

default watermark