



## With Almost \$0 in Revenues, How Long Can Air Canada (TSX:AC) Last?

### Description

In its news release for its first quarter's result, **Air Canada (TSX:AC)** stated that we are currently going through the darkest period in the history of commercial aviation. In a way, this statement sums up how bad things really are for Air Canada, as well as airlines across the globe.

The company reported nearly \$1.05 billion in losses in stark comparison to the \$345 million in profits in the first quarter last year.

Air Canada has cut its second-quarter capacity for 2020 by 85 to 90%. It's also considering retiring 79 of its older aircraft. These drastic measures can be seen as the company's desperate attempts to stay afloat in these [uncertain times](#).

But with almost no revenue coming in from passenger flights and no bright prospects of this situation changing anytime soon, how long can Air Canada last?

### A dark future

Air Canada claimed that it would take them at least three years to recover their 2019 level capacity and revenue generation, once things start to settle down. It's also taking measures to increase its unrestricted liquidity, which currently sits at \$6.52 billion, according to the company's quarterly report. While the company is doing whatever it can to stay afloat, it's hard to say whether it will be enough.

One slight hope that Air Canada still has is the government's aid. It might not be enough to provide a strong new pair of wings to the company, but it will likely keep the company from going bankrupt. It all comes back to the resume of regular air travel. The problem is that even when the pandemic is over, a lot of people might still steer clear of air travel unless it's absolutely necessary.

These far-reaching effects of the pandemic are tough to predict, and they might have a lot of sway over the recovery of Air Canada and other airlines.

## A risky stock

It wasn't until a few months ago that Air Canada was one of the best growth stocks on **TSX**. And even while the sector is getting globally decimated, many investors with a strong appetite for risk believe that at current valuation, Air Canada offers a great [buying opportunity](#).

This is something that I agree on. There might not be a better time to buy Air Canada, because if it does start to recover, it might not hit that low again in the coming years. But that's a pretty big "if." Because if it fails and goes into bankruptcy, the investors might lose everything in a win-big, lose-big bet.

## Foolish takeaway

With almost no revenue generation, it's hard for a debt-laden company like Air Canada to continue for long. Layoffs, restructuring, getting rid of dead weight, and shifting its focus to cargo flights can only do so much to keep the company going.

It's hard to pinpoint a time in the future, but if airlines continue to see the current, diminished-level of air travel, even the end of May might bring more grim tidings.

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adamohtman

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