



Air Canada (TSX:AC): Did You Miss Your Chance to Buy in 2020?

Description

Beleaguered **Air Canada** ([TSX:AC](#)) continues to fend for itself heading into the third month of the pandemic. The federal government has yet to make a direct offer that would provide a lifeline. Canada's flag carrier is now taking baby steps to recover lost ground.

Did you miss your [chance to buy](#) this airline stock in 2020?

Investors who are still holding Air Canada shares in 2020 are losing miserably by 67% year to date. Last year, the same investors were on cloud nine with a 46.85% full-year gain. The COVID-19 pandemic is the latest [tragedy](#) to hit one of the world's largest airline companies.

Airline industry forecast

According to the International Air Transport Association (IATA), March was a disastrous month for aviation. The deterioration was felt even more in April. Alexandre de Juniac, IATA's Director General and CEO, is saying the recovery will be slow.

IATA is forecasting industry losses to be around US\$314 billion in 2020. The association is calling on governments to extend more financial aid and stabilization packages. Otherwise, many airlines will collapse and not be part of an economic recovery.

Top priority

Air Canada lost more than \$1 billion in the first quarter and is raising the same amount to bolster its cash position. The fresh funding will provide the company with greater flexibility to manage the impact of the emergency health crisis.

The airline expects to raise \$500 million via the launching of a public offering (Class A and Class B voting shares). The balance will come from a private placement of unsecured convertible notes. Owners can convert the debt security into shares worth nearly \$550 million.

Taking flight

The climb back to the top is going to be painful and gruelling. Since commercial passenger travel demand is low, Air Canada is enhancing its global connectivity through cargo-only network. The company is doing its part to support the global supply chain and address the needs of freight forwarding clients.

Starting June 1, 2020, Air Canada will add five more cargo flight destinations in Europe and South America. The company is using converted Boeing 777-300ERs and Airbus A330-300s for the non-stop flights.

Restarting

While the government is still advising against travel, Air Canada will resume partial operations soon. The international flights to 97 destinations will originate from the YVR airport.

Beginning June 22, 2020, Air Canada planes will fly out of the London International Airport. Air Canada's CFO Michael Rousseau expects domestic business and leisure travel to pick up in the summer and fall.

Cue from the CEO

You're hoping against hope if you think Air Canada will fly high again in the near term. I wouldn't regret not buying when the stock price tanked to \$12.15 on March 19, 2020. At its current price of \$16, I wouldn't buy that either.

Air Canada's CEO Calin Rovinescu admits the impact of COVID-19 on the airline company is catastrophic. His realistic expectation is discouraging. It will take at least three years to match the revenue and capacity levels of 2019.

With that assessment, Air Canada is not a good investment option.

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