



## Has Air Canada (TSX:AC) Stock Reached a Bottom?

### Description

**Air Canada** ([TSX:AC](#)) has some challenging years ahead of itself. The company's coming off a quarterly loss of more than \$1 billion in what's likely just the start of some very disappointing results this year. But with the stock down more than 65% this year and the stock hitting a low of \$9.26 a few months ago, investors may be wondering if the stock can go any lower.

Let's take a look at both sides of the argument to see whether the worst is yet to come or if the stock's probably bottomed out already.

### Why shares could go lower

As bad as Air Canada's first-quarter results were, they're likely to get a whole lot worse. Q1 was up until the end of March 31, meaning that it also included results from January and February, before many cities around the world began locking down to prevent the spread of COVID-19.

Air Canada's been laying off staff and cutting costs at every corner, but with minimal flights, it's inevitable that the airline will suffer more losses this year.

Deeper losses and a high rate of cash burn could make investors grow hesitant to hang on to the stock. While there's some optimism around cities opening back up, if there's a big outbreak of COVID-19 that forces cities back into lockdown, that could hit the reset button on everything.

And while Air Canada does still have plenty of cash on hand with \$2.6 billion as of March 31, it could quickly eat into that balance, even if there are more flights.

If cash starts to dwindle and there's no apparent end in sight to the pandemic, it wouldn't be surprising to see shares of Air Canada hit new lows this year.

### Why the stock could rally

If Air Canada is able to minimize the cash bleed and prove to investors that it's able to weather the COVID-19 storm, that could help drive some bullishness. However, it won't be until the airline releases its second-quarter results that investors will have a good look at how the company's financials look in the wake of the [pandemic](#).

What's encouraging is that as bad as the stock's Q1 loss was, it wasn't enough to send it back to the lows that it reached back in March. As long as things don't get a whole lot worse for Air Canada, the stock should be able to stay above the \$10 mark.

## Which scenario is more likely?

We likely won't see Air Canada's stock mount much of a rally this year. If the stock does show some bullishness, I wouldn't count on it lasting too long. The markets are still a bit too optimistic right now even though the pandemic's nowhere near over, and there's a very real possibility that things could reset if there's another outbreak and if cities open up too soon.

It'll be a while before there's a full-blown recovery in the economy. And until that happens, investors don't need to rush out to buy shares of Air Canada, as the stock could [continue to fall](#).

In the past month, shares of Air Canada are down more than 20%.

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### Date

2025/08/18

### Date Created

2020/06/01

### Author

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