



## Air Canada (TSX:AC): Buy Now or Sell Now?

### Description

If you have braved out the market crash and haven't unloaded your **Air Canada** ([TSX:AC](#)) stake yet, you might be wondering if it's a good time to sell now. The stock is not gaining upward momentum, and despite the country opening up, the operational activity is still severely limited. As for international traveling, S&P predicts that it might not recover to pre-pandemic levels until 2023.

That still indicates a slow but eventual recovery. So, where does this leave investors like you? Would you be better off selling your Air Canada stake and minimizing your losses, or would it be better to load up on Air Canada stock when it's trading at such an enticing price?

### The case for selling

If you have braved it out till now, I think you can stick with it a little longer. The fear that Air Canada will go under is slowly fading away. The company has raised over \$1.5 billion in cash to stay standing in these low-demand times. According to an estimate, the company is bleeding \$20 million in cash every day. As demand for air travel increases, this number will shrink, but it mightn't reach \$0 for a while yet.

With the cost-cutting initiatives the company has taken, including grounding the bulk of its fleet, decommissioning old planes, and announcing mass layoffs, the company seems ready for the long, hard road. So, despite how bad it looks, Air Canada might survive and recover, albeit at a slow pace.

If you haven't sold your Air Canada stock yet, it might be better to stay your hand. The chances of losing all your capital with Air Canada are very low right now, and even a slow recovery might get you much better returns in the future than what you will get by selling it at \$16.7 now.

### The case for buying

If you believe that Air Canada will recover, and there are no more hindrances in the future, go for it. But it's highly likely that there *will* be a second wave, which might push the stock down even further. You may get an even better price in a few months (if there is a second wave).

But don't expect to make millions off of this trade. A lot of investors who are considering Air Canada right now have the company's pre-crash value in mind. They believe that even if it takes two to three years to reach \$50, it will increase their capital three-fold. But that's not how it may pan out.

All the protracted recovery predictions are about the airline industry and air travel in general, not about the stock. It's true that when Air Canada resumes operations to its pre-pandemic capacity (which may still take a couple of years), it might start generating profits. But that won't automatically push the stock price up.

## Foolish takeaway

In general, the airline industry has lost a lot of investor confidence, and it might not recover at [the same pace](#) as the operational activities. But if you are content with holding on to the Air Canada stock for about [five or more years](#), then you might benefit from the company's low valuation now. But that's considering that there are no major market downturns, recessions, or other disruptions that may bring the vulnerable stock down again.

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