



Air Canada (TSX:AC) Stock: Is it a Steal Today?

Description

Airline stocks across North America have been punished due to the COVID-19 pandemic. Industry experts have described this as the most disruptive and damaging event to the industry since the September 11, 2001, attacks. The industry took roughly half a decade to recover from the impacts of that tragedy. **Air Canada** ([TSX:AC](#)) stock rose 8.68% on June 12. Shares have dropped 60% in 2020 so far. Today, I want to discuss whether investors should jump on Air Canada stock before we move into the official summer season.

Air Canada stock: The story so far in 2020

The company has incurred severe losses in the wake of the COVID-19 pandemic. In its last earnings report, Air Canada conceded that it would likely take approximately three years before the company would be able to recover from this setback. Air Canada described this as [“the darkest period ever”](#) for commercial aviation.

In the first quarter of 2020, Air Canada reported a \$1.05 billion loss. It said that it had cut its capacity by 85-90% from the same time in the previous year. The company will also accelerate the retirement of 79 older aircraft in a bid to simplify its fleet. This will also reduce its cost structure and lower its carbon footprint.

Naturally, this situation has many investors worried about its short- and mid-term prospects. Airlines are in crisis mode, but investors should not rule out a quick turnaround.

Why you shouldn't count out airlines

Canada has been hypercautious in its COVID-19 lockdown approach. This has continued as the provinces push toward reopening. However, the scattered approach at multiple levels of government is starting to attract scrutiny.

Air Canada CEO Calin Rovinescu recently called for the country to “enable us to do some reasonable

amounts of business” and loosen travel restrictions. He has said that the rules on travellers are now “disproportionate.” He has pointed to the dramatically low case levels in many regions across Canada. Meanwhile, U.S. states are moving forward more aggressively with economic reopening.

“These emergency measures need to be introduced with a certain sense of proportionality,” Rovinescu said on June 11. The pressure will mount on Canada to lessen restrictions on its industry leaders as its key allies reopen.

Investors should not underestimate the hunger for travel that still exists. For example, cruise liners saw bookings erupt after announcing that sailing would recommence in August. Airlines could see a similar phenomenon when restrictions are lifted.

Should you buy Air Canada today?

Shares of Air Canada last possessed a sky-high price-to-earnings ratio but a favourable price-to-book value of 1.3. The push for reopening and the growing scrutiny against the government response was one of the reasons I’d suggested investors to take a [second look](#) at the stock this month. Remember, Air Canada dropped below the \$1 mark after the previous economic crisis in the early 2010s. The company is in a much better position with a vastly improved balance sheet to tackle this crisis.

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aocallaghan

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