



Air Canada (TSX:AC): The Future of Air Travel Is Here

Description

Air Canada ([TSX:AC](#)) has lots of work to ahead of it to prepare for the future of air travel. It is not a future that would ever be wished for, but it is, nevertheless, a future. Trading at under \$19 today, Air Canada stock has fallen 51% year to date. Is it a good time to buy?

Air Canada passenger flights disappear

As of March, Air Canada has been in hibernation. Its flight schedule was reduced by 80-90%, and planes have pretty much been grounded. Clearly, the [coronavirus pandemic has created big problems](#). But with every crisis, there are opportunities to be found if we look hard enough.

Air Canada flights need to start soon, as cash burn is significant

There's no way to sugar coat it. Despite the competitive business that Air Canada built over the last 10 years, revenue needs to build up again. The high fixed-cost structure of the airliner doesn't give it much time. But there are some glimmers of hope.

Governments may continue to relax travel restrictions in the coming months. Many countries have fought their way through the worse of the pandemic for now, and this has brought some hope back. Air Canada's CEO has been very vocal about the fact he thinks it's time to travel safely.

But this will take a lot of money to reconfigure planes and the process. It will also take a lot of effort to bring potential flyers onto the same page. We may be afraid of flying. We may still be reluctant to step on board.

On the bright side, a side effect of this crisis is that jet fuel prices have come down significantly. This will give Air Canada's cost structure some relief when flights resume.

More expensive, more procedures, and more headaches

When we finally do start to see the return of flights, things will be different. Temperature checks, increased physical distancing, and more medical supplies are just some of the changes. These changes are necessarily for safety but they will increase costs for Air Canada. They will substantially change the business model. At the end of the day, we will probably see air travel go back to the days when it was unaffordable to many.

But with the COVID-19 pandemic, there are no certainties.

Air Canada cargo business has been booming

“Air Canada Cargo has operated more than 1,200 cargo-only flights since the end of March.” In addition to transporting key medical equipment, pharmaceuticals, and consumer goods. These cargo only flights aim to help keep the global supply chain moving.

Air Canada Cargo provides cargo service to over 450 cities worldwide, with self-handled hubs in Toronto, Montreal, Vancouver, Calgary, Chicago, London, and Frankfurt that allow for rapid shipment of goods.

An increasing number of jets have been transformed into cargo only jets. The company will continue to evaluate future opportunities to add additional cargo flights. While this is a small piece of business compared to what Air Canada lost, it is an interesting opportunity that may thrive in the long term.

Foolish bottom line

Air Canada stock is one of those [high-risk/high potential reward stocks](#). I would not recommend this as anything but part of a small speculative position. Too many uncertainties still linger. Air Canada has a strong track record of making solid business choices, but this is a very rough patch. Proceed with caution.

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