



Investors, Take Note: Air Canada (TSX:AC) Is Begging Trudeau for Permission to Fly

Description

The **Air Canada** ([TSX:AC](#)) story has been one of the wildest to come out of the COVID-19 market crash. After cancelling the vast majority of its international flights, the company went on a death spiral in the markets before staging a brief recovery. Shortly after, the company issued \$1.6 billion in new financing to cover expenses, and its stock began sliding again.

It's been a roller-coaster ride for investors. AC stock has exhibited extreme volatility and long-term losses. Now, the company is hoping to stage a comeback. By lobbying the government for permission to fly, management is trying to bring their firm back to life. The question is, will it work?

CEO complains about “unfair” travel restrictions

In a recent webcast, Air Canada CEO Calin Rovinescu complained about the federal government's “disproportionate” rules for travellers. Calling the measures excessive, he said that the company should be allowed to do “reasonable amounts of business.”

As of this writing, Prime Minister Trudeau still supported the 14-day quarantine on anybody entering Canada. Measures like this led to a dramatic decline in air travel, which hit Air Canada hard.

Where all this is coming from

Rovinescu's comments on travel restrictions come after a brutal period for his company. In the first quarter, Air Canada lost [\\$1.05 billion](#) and ended its 27-quarter streak of revenue growth. With 90% of its routes cancelled, the company is bleeding cash like never before. To stem the losses and cover the cost of operations, Air Canada issued a [\\$1.6 billion funding round](#). A large chunk of that was equity financing, so existing shareholders' claim on the company's shrinking earnings was diluted.

The big picture

The bottom line is that Air Canada is not in a good place right now. In its first-quarter earnings release, the company forecast that it would take *three full years* to get back to 2019 revenue levels. U.S. airlines came out with similar forecasts, which shows that airlines as a whole are not expecting to bounce back from COVID-19 quickly.

Investors aren't expecting a quick recovery either. In May, Warren Buffett announced that he was selling his entire stake in the airline industry, citing the potential for years of lower passenger volume.

What was true of the U.S. airlines Buffett sold, is equally true of Air Canada. According to its own forecasts, it will take years for the company to recover from travel restrictions. The company's executives are aware of the financial implications of this and are begging the government to throw them a lifeline. Unfortunately, it may not matter whether they get it or not. Even after COVID-19 measures are lifted, individual passengers may remain wary of air travel for years to come. So, Air Canada's stock is going to remain volatile.

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