



Air Canada (TSX:AC) CEO Begs for Help

Description

Air Canada ([TSX:AC](#)) continues to bleed cash despite obtaining a [\\$1.6 billion financing deal](#). Its CEO Calin Rovinescu, along with the company's CFO Michael Rousseau, are begging for help. The top executives of Canada's flag carrier are urging Prime Minister Justin Trudeau and premiers to loosen travel restrictions.

Calls from other groups

Apart from relaxing travel bans, other groups from the travel and tourism industry are calling on the federal government to roll out targeted quarantines for passengers returning from higher-risk countries.

According to Rovinescu, flying should resume for Air Canada to do some reasonable amounts of business. Based on estimates, the company is losing \$20 million daily in the second quarter of 2020.

Disproportionate rules

Canada and the United States will continue to limit non-essential travel between the two countries until at least July 21, 2020. Also, passengers returning from abroad must self-isolate for two weeks. But Rovinescu contends that the government rules are disproportionate now that the pandemic is easing in many regions.

Trudeau said it was an important decision. The government is exercising caution and waiting for a safe period to reopen. Borders are open only to commercial traffic and essential workers crossing the border for work. As of June 19, 2020, the confirmed number of coronavirus cases in Canada was 100,629.

Near-term outlook

The scaling back of inter-provincial travel barriers is why Air Canada already sees an uptick in leisure travel. Rousseau said bookings should improve with the elimination of restrictions.

Management expects domestic business trips to ramp up in early September. International leisure and business travel should follow eventually. Unfortunately, Air Canada will not capture the lucrative summer European market, at least some of it this year.

Summer 2020 will come and go, so the company will have to wait for 2021. Even with the lifting of travel curbs, the [near-term outlook](#) is bleak. It will take three years before the business of Air Canada could hit the pre-corona levels.

Stock performance

Air Canada is not doing any better in the stock market. Investors are still losing by 62% year to date. A downtrend is developing since the airline stock rose to \$23.39 on June 8, 2020. The closing price on June 19, 2020, was \$18.40 per share.

Early in June, Moody's Investors Service downgraded Air Canada to Ba2, which means a negative outlook. The proposed merger with **Transat AT** is also on hold pending submission of data from Air Canada and the tour operator to the European Commission. Transat remains confident the deal will push through.

Risky buy

Beggars can't be choosers. But Air Canada is pleading with the government to reconsider and implement looser restrictions. It's the only option available for the company to get going.

The International Air Transport Association (IATA) is forecasting the global air transport industry to lose \$84.3 billion in 2020 for a net profit margin of -20.1%.

Take out Air Canada from your list of investment options. The company is in a sinkhole following the financial carnage in 2020. Recovery is questionable.

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