



Air Canada (TSX:AC) Stock: Will it Go to \$0 or \$50?

Description

The air travel industry is still suffering across the globe, but the situation isn't uniform globally. Air travel across the border is much worse off than it is in Europe. Because it's the new epicentre of the pandemic, citizens from the U.S. are banned from traveling to Europe. If the air travel industry in the country had any hopes of leveraging summer travel to gain momentum, it's lost now.

People from Canada are welcomed, which is a good sign for **Air Canada** ([TSX:AC](#)). But the company currently has a lot on its plate. It's been bogged down by refund requests, mostly from the U.S., where it's third on the list of airlines with most refund complaints. The company has already given out \$1 billion in refunds, but it's still out about \$2.6 billion.

Air Canada is currently trying to appease its passengers by offering travel credit instead of actual refunds, but after its refund policy shift in Europe, travelers from other countries might try to pressure the company to return their money as well.

Trouble at home

Air Canada recently announced the indefinite suspension of 30 domestic flight routes. It's also closing eight satiations in regional airports. Air Canada's rationale is that low business and leisure travel demand is driving it to make this decision. This decision has severely affected the province of New Brunswick, which was already suffering from the loss of major employers in recent years.

This is another one of the company's major [cost-saving initiatives](#). But the company is suffering. It had to fly at barely half the capacity of planes due to social distancing. That's changed now since from July 1; the company will be booking flights near its full capacity. If passengers are uncomfortable traveling in a plane full to the brim, they can reschedule for a less-crowded flight in the future. How well this strategy plays out is yet to be seen.

\$50 or \$0?

Air Canada stock has been steadily declining for weeks. Currently, it's trading at \$17 per share, which is 27.5% down from its monthly peak of \$23 per share. The stock is finding it hard to rally or grab on to investor confidence. If it stays like this any longer, the stock may drop to single digits, but chances of \$0 and bankruptcy are still low.

\$50, however, is just as distant a possibility. It's the valuation the company had when it was considered one of the hottest growth stocks on TSX. Even if everything normalizes again, it might take the company at least a couple of years before it's anywhere near \$50 per share. Investor confidence is shaken, and after Warren Buffett's bailout, many people might stay clear (at least for a while) from this vulnerable sector.

Foolish takeaway

Air Canada is likely to [hover between](#) \$15 and \$25 for a few months if things continue this way. The stock may tip more towards \$0 if a second wave of the pandemic hits or the company is forced to waste its hard-earned liquidation on refunds. It may also tip towards \$50 if a potent vaccine is discovered and travel restrictions are lifted. Still, it would take some time for the company to regain traction.

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