



When Will Air Canada (TSX:AC) Stock Stop Falling?

Description

Air Canada ([TSX:AC](#)) stock has had a wild 2020. At the start of the year, shares were priced at \$50. Today, they're below \$17.

The COVID-19 [crisis](#) is to blame. Air traffic plummeted like never before.

Still stuck near multi-year lows, many investors wonder when the end will come. Is it finally time to buy Air Canada stock?

Here are the facts

Airports around the world felt the pain during the coronavirus correction.

The Atlanta International Airport, for example, had 9,000 passengers one day in April versus a pre-pandemic rate of 300,000 daily passengers.

"We hit about a 97% drop that quickly. It started somewhere around March 10, and it just fell off a cliff," the airport's general manager [said](#).

Traffic has recovered, but not enough to satisfy airline investors. Last weekend, Atlanta International Airport estimated having 30,000 daily passengers, still 90% lower than pre-pandemic levels. Even after a vaccine is discovered, the facility is still only planning for 70% to 75% of pre-COVID capacity.

For airlines that engage in international travel, the results have been even worse. Air Canada slashed 90% of its capacity last quarter. In May it cut half of its workforce. A network that was a decade in the making, which served 220 airports globally, was reduced to five international destinations and 40 domestic airports.

These cuts are not a temporary solution. They're a long-term fix to a multi-year headwind.

"We have reduced our capacity and our schedule by 85% to 90% unwinding a decade of successful

international growth, and we have parked the majority of our fleet for the time being,” warned Air Canada CEO Calin Rovinescu.

Just how long will this crisis last? The company answered that question directly on the latest investor conference call.

Buy Air Canada stock?

According to company executives, a full recovery will take a long time, much longer than most shareholders are expecting. “Realistically, we expect it to take at least three years for Air Canada to get back to 2019 levels of revenue and capacity,” Air Canada executives recently revealed.

But investors should be bracing for closer to five years. “You know that some of the manufacturers have come out and an estimated three to five years,” noted Air Canada’s CEO. “**Boeing** and **Airbus**, I think both have estimates in that range.”

What are other airlines experiencing?

According to U.S. data, airline traffic is still down 72% year-over-year. Aeromexico just filed for Chapter 11 bankruptcy. Chile’s LATAM Airlines and Colombia’s Avianca have also gone bankrupt. **Delta Air Lines** thinks that domestic demand will be 55% to 60% lower this summer.

Surveys show that consumers still aren’t ready to return to airlines like Air Canada en masse.

“The average respondent in our survey said that it would be another 7.5 months until they are comfortable traveling via airplane again,” notes an analyst from **Cowen Inc.**

Nearly one-third of respondents said it would be at least a year until they felt 100% comfortable with air travel. Less than 10% felt completely comfortable flying in the next 30 days.

The truth is that this mess has only just begun. Stocks like Air Canada aren’t ready to buy just yet.

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