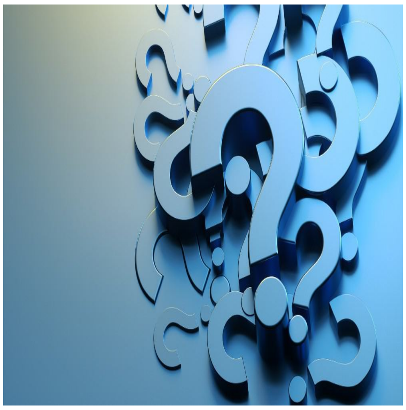

Air Canada Stock: Is It Finally Time to Sell?

Description

Every airline stock out there is volatile right now, but in Canada, it doesn't get much more volatile than **Air Canada** (TSX:AC). The stock started out the year at all-time highs, reaching a height of $52.71 per share. After the crash, shares tumbled by 81% to $9.26 — lows not witnessed since 2017 before the stock really took off.

But if you go back even further, you could still be laughing holding onto this stock. Air Canada went through a dark period before, with many analysts believing the company could go bankrupt. Shares dropped to under $1 per share before a rebound when management restructured the company.

If you had bought $5,000 in shares in Air Canada back in 2012 at those prices, an investment would have been worth a whopping $255,100 before the crash. Today, that investment still looks all right at $87,805.42.

But as share prices continue to fluctuate, and with the economy and airline industry's future still uncertain, what should investors be doing with their Air Canada stock?

Happening now

It was clear during the last quarter that something needed to be done. While Air Canada didn't lose money, it saw a significant drop in earnings. The airline went from $583 million last year during the same quarter, to $71 million. Then last month, the company made a string of announcements that brought shares back up slightly.

First, Air Canada announced the closing of 35,420,000 voting shares. The company then closed a deal for a private offering of some of its junior airplanes. Following this, Air Canada closed two additional financing transactions that brought in net proceeds of $1.23 billion, raising a total of $5.5 billion in liquidity.

At the end of the month, the airline announced it would be closing eight stations at regional airports in Canada, and suspending service on 30 domestic flights.

Future up in the air

While it's good news the company now has $5.5 billion in liquidity, it's definitely not completely positive. Air Canada will pretty much survive the pandemic. But closing airports and suspending flights, firing 20,000 employees, and selling shares means the company doesn't have the demand it once did.

To get all this back up and running again will take time. Time that will be beyond the pandemic. Meanwhile, the company will likely need even more cash when the pandemic is over to reinvest in prevention measures. Then, of course, there's the real likelihood of further market dips.

The market right now continues to be volatile. As the pandemic continues to put pressure on industries, Air Canada is likely to be caught directly in the crossfire. Even though people are allowed to take flights today, there are a number of restrictions that would put many off travel. It's likely that as the market dips again, Air Canada could sink even lower than before the crash.

Bottom line

It sounds pretty dire for Air Canada, but should you sell? On the one hand, as mentioned, it's likely that Air Canada will continue to have its shares fluctuate wildly during the next few months or even years, which could be scary for investors looking to take out cash soon. However, if you have the time to wait, I would simply put on blinders and wait for the chaos to subside.

Air Canada has a huge portion of the Canadian airline industry, and it's unlikely to go bankrupt any time soon. Its reinvestment in its infrastructure over the last few years means when it's finally back in the black, it should go right back to its previous levels. While the company is undervalued, it'll just take quite some time to reach pre-crash prices.

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