



Air Canada (TSX:AC) Stock Investors: Hear What the CEO Has to Say

Description

Air Canada ([TSX:AC](#)) stock is in trouble. When the year began, shares were priced at \$50. This week, they fell below \$17.

The stock market clearly doesn't know how to value the company. Value investors say this is a fantastic opportunity to [buy low](#). Industry analysts warn that more [trouble](#) could be ahead. What's the truth?

To understand Air Canada, why not go straight to the source? On the latest investor conference call, company executives revealed some incredible predictions, as well as estimates for when conditions will return to normal.

Here are the facts

Let's get the bad news out of the way first.

"We're now living through the darkest period ever in the history of commercial aviation, significantly worse than the aftermath of 9/11, SARS, or the 2008 global financial crisis," Air Canada CEO Calin Rovinescu said.

There's no denying that the current crisis is unprecedented. Few industries have felt as much pain as airlines. Most companies have slashed capacity by at least 60%. At the peak of the crisis, some reduced capacity by 95%. Already, several large carriers have gone bankrupt. More are expected before the year is finished.

"For Air Canada, the pandemic and government-imposed lockdowns and travel restrictions the world over have ended a run of 27 consecutive quarters of year-over-year revenue growth," Rovinescu continued. "And there is little doubt that we are not yet out of the trough."

These are some important comments. In 2012, Air Canada stock was valued under \$1. Over the next eight years, it rose *50 times* in value, thanks to an incredible streak of revenue growth. This is a big

reason why value investors are jumping in. They're hoping that once the crisis ends, the company will return to growth, which would present hefty upside.

However, the second part of his comment is just as critical. It's going to be a *while* before conditions normalize.

"Realistically, we expect it to take at least three years for Air Canada to get back to 2019 levels of revenue and capacity," Rovinescu concluded. "You know that some of the manufacturers have come out and an estimated three to five years. **Boeing** and **Airbus**, I think both have estimates in that range."

Most airlines are expecting at least three years of depressed revenue. Plane manufacturers think it could be closer the five years. Whatever the case, don't expect a quick turnaround here.

Buy or sell Air Canada stock?

There's no doubt that this stock is cheap, at least compared to its historical trading range. But is it a buy?

When possible, it's helpful to see what investing legend Warren Buffett is doing. Last year, he was a leading shareholder of four different airlines. Today, he owns zero.

Buffett clearly doesn't view this as a time to buy low. There's just too much uncertainty here. What will happen between now and 2023 is anybody's guess. The resulting industry will be changed forever, and what happens to Air Canada's stock price is difficult to predict.

There are several bargain stocks worth buying right now, but there's just too little visibility to take a bet on airlines.

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