



Air Canada (TSX:AC) Stock: At Last, Time to Buy?

Description

Ever since the government-mandated lockdown began, **Air Canada** ([TSX:AC](#)) has been in a world of trouble. While the pandemic has devastated industries across the economy, airlines like Air Canada have seen the brunt of the impact.

At writing, Canada's largest air carrier is down by a massive 67.60% from the start of the year. The lockdowns have led to travel restrictions, and most international borders closed. It decimated the earning power for airlines that consistently burn through cash, even when they do not operate.

I have not been [bullish about Air Canada](#) for a long time. In fact, I even suggested steering clear from the flagship airline. However, there are signs of life for the beleaguered airline. I will discuss some of the signs that indicate a chance for Air Canada to soar again.

Easing lockdown measures

Provinces across the country are starting to open up again and easing lockdowns. Thanks to the initial measures taken to enforce social distancing strictly, the number of new cases is steadily declining. Toronto, the single most massive cluster in the country for COVID-19 infections, is in the second phase of reopening. Canada has successfully flattened the curve.

The number of cases in other parts of the world is also steadily going down. Eastern Asia and Europe are also opening up, and Canada is one of the few countries in the European Union's list of "safe fly" countries.

It means air travel can begin to recover in the coming months for both local and international flights. This change is a welcome sight for Air Canada and its investors.

No more social distancing

Air Canada and WestJet have recently announced that they are eliminating the mandated physical-

distancing measures for their flights. It means the airlines can fully book their jets and sell all the flights.

Airlines are claiming they have taken several measures to mitigate the risk of infection on their flights. Masks are mandatory for all passengers. There are questionnaires for all passengers before their flight, thorough cleaning of aircraft between flights, temperature screening, and restrictions on in-flight dining services.

As an investor, the airline's ability to fully book flights is a dream come true. It opens up doors for Air Canada to become profitable again after it took [measures to reduce costs](#). Airlines generally operate with slim margins, and the value of each seat sold can be significant for the airline.

If the company can successfully return to normalcy in operations, it can become profitable later in the year. Air Canada shares can see a surge towards the end of the year.

Improved financials

Another significant sign that Air Canada can surge later in the year is its improvement in cash flow. The company managed to raise \$1.59 billion in funding over the last month. Management has laid off staff and cut several routes to reduce costs.

In-flight meals and beverages are no longer a cost for the airline, and these measures can go a long way in reducing costs for Air Canada. The financial situation certainly seems to be improving for the airline.

Foolish takeaway

With all the positive signs, I would like to point out that these are merely signs that *might* have a chance to make things better for the beaten-down airline. Domestic travel has gradually resumed, and international travel might surge. However, another wave of infections or a reluctance of people to fly can spell trouble for the airline.

Air Canada also has the problem of providing refunds to canceled flights to deal with since many customers do not want the flight vouchers they are being offered. There is a chance that the airline can see a sharp rebound. In the off chance that things take another turn, the stock still can sink further.

I would advise investing only what you can afford to lose if you really want to get in on the high-risk/high-reward situation with Air Canada.

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