



Air Canada (TSX:AC) Stock Alert: 31 Flights Arrive in Canada With COVID-19 Cases

Description

If you own **Air Canada** ([TSX:AC](#)) stock, I have some bad news: the worst is still to come.

On July 14, *CTV News* reported that "...at least 26 flights have arrived in Canada with COVID-19 cases in last two weeks." The very next day, *Global News* [upped](#) the estimate to 31 flights.

This is a terrible outcome. Last quarter, Air Canada was forced to cut 95% of its capacity. Those moves have generated multi-million dollar losses on a *daily* basis.

To stop the bleeding, the company's CFO urged government officials to loosen border restrictions.

"I hate these online meetings. I hate these virtual meetings," he said, noting that business travellers are "eager to interact" in person. He thinks the inability to meet in person is "a loss for everybody."

Air Canada's CEO Calin Rovinescu also recently joined an open letter from the travel and tourism industry calling on Prime Minister Justin Trudeau to loosen travel restrictions and start to ease the path for passengers returning from higher-risk countries.

Given these latest developments, it's doubtful that we'll see Canada open up anytime soon. Even before the recent revelations, a Nanos Research poll found that 81% of Canadian adults believe the border should remain closed for non-essential travel. That figure may be even higher today.

Air Canada is in trouble

Many Air Canada investors are new to the scene. They saw shares slide from \$50 in January to \$15 today, buying in with the belief that the worst has [passed](#). That's a mistaken belief. The business lost \$1 billion in the first three months of 2020 alone.

Even the company's CEO believes it will be a long time before the industry stabilizes. Capacity has been cut roughly 75% for the second and third quarter, with more cuts on the table. Despite attempted

re-openings, he thinks the entire industry is still in “shutdown mode.”

“This is catastrophic territory,” Air Canada CEO Calin Rovinescu said on June 30. “This is hundreds of times worse than 9/11, SARS, or the global financial crisis — quite frankly combined. We never got to the level when we were only operating at 5% in any of those circumstances, you know, other than the three days of shut-down post 9/11.”

In other words, expect the losses to continue. This week, **Delta Air Lines** shocked the market with a \$6 billion loss in the second quarter. So much for buying at the bottom.

No business can sustain this level of cash burn forever, Air Canada included. For the company to survive, travel restrictions need to be eased by 2021, or government bailout funds will need to be available. Looking at the cash burn, these two fates will come quicker than many expect.

Right now, an investment in Air Canada is a black box. The COVID-19 situation is unprecedented. Even if travel restrictions are lifted, there’s no guarantee that passengers are willing to fly. Bloated with high fixed costs based on a foregone era, airline stocks are doomed for a bleak future.

There are plenty of other stocks worth buying right now. Don’t waste your money on airlines.

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