



Air Canada (TSX:AC): Is Bankruptcy Still a Risk?

Description

Many airline companies are folding up, if not declaring bankruptcy, in the wake of the COVID-19 pandemic. Armageddon is upon the aviation industry. In North America, there are speculations that **Air Canada** ([TSX:AC](#)) is in danger of going under in 2020.

Apart from extended travel restrictions, the demand for air travel is nearly dry. Returning to pre-corona levels or normalcy is not on the horizon. Air Canada is urging the government to relax travel restrictions and consider adopting a “science-based approach.” It will allow passengers to travel to countries with low risks of infection.

Gravest crisis

The International Air Transport Association (IATA) predicts a \$252 billion drop in revenue for the air travel sector. According to Alexandre de Juniac, IATA’s director general and CEO, the novel coronavirus pandemic is the gravest crisis the airline industry has faced. The severity is mind-boggling.

Air Canada is [not in unfamiliar territory](#), because the company filed for bankruptcy protection in 2003. After 18 months of restructuring, Canada’s flag carrier was back on its feet. This time, however, management expects regular business to return by 2023.

Increasingly urgent

Through its chief medical officer, Dr. Jim Chung, Air Canada sent a formal request to various ministers to lift the travel restrictions. Dr. Chung wrote that the situation is becoming increasingly urgent. The restrictions are severely impacting the carrier, employees, and customers. It threatens the company’s overall recovery.

The quarantine restrictions are also affecting other interests, such as the social and economic well-being of individuals and communities that rely on air travel. Chung cites the basic freedoms of mobility as well. Air Canada is doing all it can to ensure public health safety.

Air Canada's CleanCare+, for example, is a comprehensive program with leading biosafety measures at each stage of the journey. The company collaborates with Cleveland Clinic Canada for medical advisory services and Spartan Bioscience in Ottawa to explore portable COVID-19 testing technology.

Furthermore, Air Canada is hoping the federal government will mirror the actions of France, Germany, Italy, Portugal, Spain, Switzerland, and the United Kingdom. These countries are following the suggestion of IATA to use the evidence-based approach. This alternative can replace the 14-day quarantine requirement of any passengers who enter Canada from abroad.

Shocking developments

Investors are in [shock](#) because the high-flying stock in 2019 continues to struggle. The year-to-date loss is nearly 65%, whereas the total gain last year was 86.8%. In Q1 2020, losses reached \$1.05 billion versus the \$345 million profit in Q1 2020. Even with the recent financing deals, the company won't be able to stop the bleeding.

Thus far, Greece is the destination of the first non-stop flights of Air Canada since the mid-March lockdown. However, third-quarter capacity would still be 75% lower compared with the same quarter last year. The future of Air Canada still hangs in the balance.

After the 2008 financial crisis, the Air Canada stock sunk to a dollar. Will history repeat itself, and will airline shares become worthless again? For now, the company is on the edge of the cliff. No one knows if COVID-19 will eventually wipe out Air Canada.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Investing

Date

2025/08/15

Date Created

2020/07/24

Author

cliew

default watermark

default watermark