



## United Airlines Suggests Air Canada (TSX:AC) Stock Will Go to \$0

### Description

**Air Canada** ([TSX:AC](#)) is in [trouble](#) —at least according to **United Airlines Holdings Inc** ( [NASDAQ:UAL](#)).

United is still losing \$40 million each day, its CEO revealed last week, down from \$100 million per day in April. This quarter, the company hopes to lose just \$25 million.

On the surface, this looks like good news. Daily losses are falling quarter after quarter, from \$100 million to just \$25 million. But these are still *losses*. No company can survive this hemorrhaging forever, even high-quality carriers like Air Canada and United.

“All of the normal pricing metrics...in this pandemic are a little bit irrelevant,” CEO Scott Kirby [told](#) CNBC.

Even with a \$25 million daily loss, the lowest projected sum for the year, United would still lose \$9 billion per year!

### It's going to be a while

If you're expecting an end to the madness soon, think again. Business won't be “anywhere close to normal” until there's vaccine, Kirby stressed.

Even Air Canada executives agree.

“Realistically, we expect it to take at least three years for Air Canada to get back to 2019 levels of revenue and capacity,” CEO Rovinescu revealed on the latest conference call.

Rovinescu also admitted that some aerospace players see the downturn lasting an additional year or two. “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,” he concluded.

## Will Air Canada stock go to \$0?

Most investors are wondering when AC stock will return to its former highs. After all, from 2012 to 2019, shares rose *50 times* in value. After falling 70% during the COVID-19 correction, most stockholders are expecting a repeat performance once conditions stabilize.

But that's the million-dollar question: when will conditions stabilize?

United's CEO thinks it will be *years*. Delta Air Lines, Boeing, and Airbus executives agree.

"This is catastrophic territory," Air Canada CEO Calin Rovinescu warned in June. "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."

Air Canada is still operating at less than 25% capacity. So is the rest of the industry. United doesn't think capacity will exceed 50% until a vaccine is discovered. At that rate, few airlines will avoid racking up daily losses.

How long can Air Canada survive? Based on current cash burn trends, it may have between 12 and 18 months of runway, barring any sort of government bailout. But even if a bailout occurs, the terms are completely unclear. Will it simply include debt financing, or will Canada itself take an equity stake? No one knows.

What we do know is that airline shares are far from distressed territory. During the financial crisis of 2008, United shares hit \$5. They're now above \$30. Air Canada stock fell below \$1 in 2008. Today, they're still near \$17.

If you listen to airline executives and monitor cash burn, it's clear that there's more pain to come. The share prices, however, don't yet reflect that reality.

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rvanzo

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