



Air Canada (TSX:AC) Stock: A Once-in-a-Lifetime Chance to Get Rich?

Description

The losses of **Air Canada** ([TSX:AC](#)) this year are mounting and hitting epic proportions. On July 31, 2020, Air Canada's president and CEO Calin Rovinescu reported a \$1.75 billion net loss in Q2 2020. The massive losses coincide with an 89% drop in revenue during the quarter.

Rovinescu sounds a [distress call](#) by urging the government to ease coronavirus travel restrictions. He adds that Canada's federal and inter-provincial restrictions have been among the most severe in the world. Even unions call for the safe removal of the travel restrictions so the airline and workers can fly and work.

Unprecedented losses

Air Canada's latest quarterly earnings results were not surprising, although Rovinescu wants the government to act with [tremendous urgency](#). He said Canada must take reasonable steps to reopen and restore economic activity safely. In Q2 2019, Air Canada posted \$343 million in profit.

The situation appears gloomier in the third quarter, with the expected 80% decline in capacity. Air Canada forecasts a daily net cash burn of between \$15 million and \$17 million. According to management, the company has over \$9 billion in the quarter ended June 30, 2020.

Weighing options

Air Canada took decisive actions to ensure the health and safety of passengers. Rovinescu hopes the Trudeau administration will reciprocate by supporting the industry through the easing of travel restrictions. Now, management is weighing options to reduce costs further and preserve capital.

Among the options are suspension of routes and possibly the cancellations of orders of Airbus and Boeing aircraft. The Airbus A220 is manufactured locally, and the order cancellation might impact the economy in Mirabel, Quebec. However, some observers take it to mean that Air Canada's state of affairs is in shambles.

Stock performance

On the day of reporting, Air Canada shares slid 6% to \$15.11. Year-to-date loss is now 68.85%. The price rose to \$18 in mid-July on account of news that vaccine development is entering a third and final clinical trial phase. But travel restrictions and quarantines are not the only impediments. A COVID-19 vaccine precedes the return of passenger travel demand.

Meanwhile, a resurgence in coronavirus infections will force countries to scale back reopening and reevaluate contingency plans. These events will result in more profound loss for Air Canada in the next quarter, making a recovery all the more uncertain. Investors should be monitoring Air Canada's liquidity position.

Possibilities

The collapse in air travel demand is too much to bear for the aviation industry. However, the business of Air Canada will inevitably surge with the successful clinical trials first, then the availability of the coronavirus vaccine next. It could trigger an explosive rally for the stock too.

Investors are still patiently waiting for Air Canada's recovery. They see it as an excellent once-in-a-lifetime opportunity to get rich. You can purchase the shares today at rock-bottom prices.

A COVID-19 vaccine and the return of air travel demand could double or triple the price. The possibility is there, but the time frame is hard to predict.

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