67% OFF: Buy Air Canada Stock Right Now at Just $16 Apiece

Description

The coronavirus pandemic has decimated **Air Canada** (TSX:AC), so much so that its stock lost nearly 67% of its value this year and is available at $16 apiece. Travel restrictions and continued cash burn weighed heavily on its operations, in turn, its stock.

While the massive selloff in March eroded significant value in most of the stocks, I believe it's time to invest in sectors and shares that are lagging and haven't participated in the recovery rally. As for Air Canada, I still see a lot of ifs for its stock to reach the pre-pandemic levels.

However, given the big discount and scope for recovery, investors should consider buying Air Canada stock at an appealing price of $16 per share.

People returning to the skies?

Air Canada has been dealing with lower air traffic amid travel restrictions and continued increase in COVID-19 cases. For instance, Air Canada reported a year over year decline of 96% in total passengers carried in Q2. Besides, its capacity reduced by 92%, while total revenues declined by 89%.

A significant decline in revenues and a net cash burn of $1.7 billion dragged its earnings down. Air Canada reported an operating loss of $1.6 billion. Meanwhile, net loss amounted to $1.8 billion in Q2.

While Air Canada's Q2 numbers are devastating, it also suggests that the worst is almost over for the beleaguered airline company. While I expect the capacity and passenger volumes to remain low in the near-term, it is likely to show gradual improvement sequentially.

With the restarting of domestic flights and easing travel restrictions, Air Canada could witness improvement in traffic. The company expects a capacity reduction of about 80% in Q3, which shows a sequential improvement. Besides, net cash burn is also likely to decelerate a bit as compared to the second quarter.

On average, Air Canada projects per day net cash burn of $15 million and $17 million in the third quarter as compared to $19 million per day in the second quarter. The guidance assumes an improvement in passenger demand and the reopening of certain international borders.

In the U.S., the Transportation Security Administration checkpoint data showed improvement in the number of travellers, driving airline stocks like **American Airlines** and **Delta Air Lines** higher yesterday. Shares of American Airlines and Delta Air Lines closed more than 7% higher. Meanwhile, Air Canada stock also increased by more than 3% on this positive development.

Bottom line

While improving passenger volumes and easing travel restrictions should support the recovery in Air Canada stock. However, it's still unknown how quickly the recovery might be.

The rising infections and absence of business and leisure travels indicate that Air Canada's problems are unlikely to end soon and could take at least three to four years to reach the pre-pandemic levels.

Long-term investors should lap up Air Canada stock at these levels, as even with the risk of protracted recovery it's likely to generate stellar gains in the next three to four years.

However, risk-averse investors should stay away from Air Canada stock, as the high volatility could result in losses.

CATEGORY

1. Coronavirus

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

Date
2025/08/28
Date Created
2020/08/11
Author
snahata