



## Air Canada (TSX:AC) \$1.7 Billion Loss: Will It Go Bankrupt?

### Description

**Air Canada** ([TSX:AC](#)) has a way of shocking investors and market gurus. At its prime, it was an airline stock like very few others. Its strong capital growth was unique to the continent, and even four of the largest airlines across the border couldn't come close to Air Canada in its last five year's growth. This made it a very popular growth stock among Canadian investors.

Oh, how the mighty have fallen. Air Canada again shocked investors and experts, but not in the right way. This time, the company broke its record of last quarter's profound losses and broke projection of a \$1 billion loss by [reporting](#) a \$1.75 billion loss.

It's astounding, to say the least, and unfortunately, it hit investor confidence hard. The stock is currently trading just under \$16 as a consequence.

### The reasons

The reason for exceeding the projected losses is the same as in the last quarter, with one addition. According to the company's CEO, Canada's travel restrictions, both inside the country and international travel are some of the strictest around the globe. The country still hasn't lifted its quarantine and isolation restriction for foreign travelers, something that Europeans are also grumbling about.

Air Canada is flying less than four percent of the passengers it did during the second quarter last year. In the second quarter of 2019, Air Canada carried almost 12.8 million passengers. And this year, if we consider the 4% mark, the airline barely carried half a million passengers during the whole quarter.

Despite the cost-cutting initiatives, letting half the staff go, grounding the bulk of the fleet, and fighting off refund requests, the company is still bleeding heavily.

### Will Air Canada go bankrupt?

It's hard to say because despite the carnage the company has been going through, Air Canada has shown incredible resilience. The airline has enhanced its liquidity position, and it might be able to hold its own through another quarter of deficient demand. But that's about it. There is a limit to how long an airline can stay in the air when the demand is so brutally decimated.

Hopefully, either a vaccine or government aid will come in time to save the company. Local air travel had already suffered a harsh blow when Air Canada suspended 30 routes. Another such decision won't just affect regional travellers; it would reflect that the country's flagship carrier is forced to leave the citizens stranded, just because it doesn't have enough resources.

## Foolish takeaway

Just as there are factors that can aid Air Canada and improve its position, the second wave of protracted travel restrictions can brutalize the company. If that happens, then bankruptcy might be a genuine concern. Despite such heavy losses, the company might pull through, but it won't be easy.

Another round of layoffs, furloughs, and route-cutting might be ahead. But if you are looking to play the long game, Air Canada *might* have what it takes to [make you rich](#).

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