



Air Canada (TSX:AC) Stock: Can You Still Get Rich From It in 2020?

Description

Instead of resuming flight, the woes of **Air Canada** ([TSX:AC](#)) are mounting in the third quarter of 2020. Canada's flag carrier's problems are over the top following the net loss of \$1.75 billion in the preceding quarter. In the first three months of 2020, the company reported \$1.05 billion in net income.

Air Canada's CEO Calin Rovinescu said about the first-quarter loss, "No adjectives can adequately describe the pandemic's cataclysmic effects upon our industry, nor can numbers fully quantify the extent of financial devastation." Investors [hoping to get rich](#) from the airline's stocks rebound are at a loss for words with the widening losses.

Dark to darker

The dark period of Air Canada is getting darker as the months roll by. Mr. Rovinescu and the management team of Air Canada are begging the government to ease the coronavirus travel restrictions. He adds that Canada's federal and inter-provincial restrictions have been among the most severe in the world.

Air Canada's second-quarter results reflect the unprecedented and devastating impact of COVID-19 on the company and the aviation industry in general. Many global airlines are declaring bankruptcies, while others are receiving government bailouts.

Air Canada filed for bankruptcy court protection in 2003, and the [nightmare is resurrecting](#) in 2020. Rovinescu was in charge of the restructuring program for 17 years, where recovery took 18 months. The stock went on to become among the recent decade's best and top-performer in 2019.

The COVID-19 episode is entirely different from the 2003 experience. Air Canada's capacity went down by 90% to 95% in the first two quarters. In the second quarter, revenue fell by 89% versus the same period in 2019, while passenger volume was 4% lower than the total volume.

Management expects the third quarter capacity to be not more than 20%. Although cash-on-hand on June 30, 2020 was over \$9 billion, Air Canada estimates the daily net cash burn to be anywhere from

\$15 million to \$17 million. There's no clear runway given the operating environment.

Impossible chances

Air Canada is not imposing its will on the government to open the border to the U.S. The suggestion is to adopt less restrictive or evidence-based measures similar to those applied in Europe and other countries. Perhaps Canada can replace the quarantine requirements for countries with low COVID-19 risks from a public health perspective.

Can you still get rich if you pick up the airline stock today? No one has a crystal ball to foretell what's in store for investors. The price fell 299% from \$48.51 on December 31, 2019 to \$12.15 on March 19, 2020. As of August 10, 2020, the share price is \$16.23 or a 33.5% climb from its COVID-19 low.

Management is almost certain that returning to pre-corona levels will take at least three years. Only a miracle, like a successful clinical trial and eventual FDA approval of a vaccine, can stack the odds in favour of Air Canada. There are cheaper stocks whose businesses have brighter futures.

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