



Air Canada (TSX:AC) Stock: Yes or No?

Description

Air Canada stock grew 14% in the past two weeks. It's up over two points of what it was at the start of this month. It's a nice change of pace, especially after the second-quarter results, which should have shaken the investor confidence even more. Instead, it seemed to have helped the stock rallied a bit.

Investors might be banking a lot on Air Canada's management and strong liquidity position, hoping that when the dust settles, Air Canada will restart from where it left off, as one of the best growth stocks on **TSX**. The company has made strides when it comes to increasing liquidity, and its management seems ready to ride the long wave, but there are still things that make me want to stay clear from Air Canada as an investment.

The case for no

Air Canada flew less than four percent the passengers it flew in the same quarter last year. It's not a fraction; it's a fraction of a fraction and an ultimatum of things to come. We, as humans, like to think optimistically. We believe that a vaccine will be discovered soon, and we will be able to resume living our lives, just as normally as we did before the pandemic.

But what if it's not the case. What if living *with* the pandemic is a new reality? If we have to learn to live with this new reality, then the 4% Air Canada's passengers, won't suddenly jump to 40% in the next quarter. International travel restrictions are still going strong, and our only neighbor is the new epicentre of the pandemic—none of this point to a fast recovery to good old days.

Still, the fact remains that Air Canada is one [resilient company](#). So instead of a solid no, I would say not yet.

The case for yes

Ideally, a vaccine is discovered and it's widely available. Conversely, Canada gets a handle on local transmissions, and international flights stop bringing new cases home. This is important because the

bulk of Air Canada's revenue generation is from international travel. If either one or both these things happen, and soon, then Air Canada's chances of recovering without a government bailout or further dilution of its stocks are high.

Also, it was the first quarter when Air Canada's cargo section performed way better than the main business. Though it's still a far cry from **Cargojet**, it's an indication that the company focuses on alternatives to start improving its revenue stream. If and when the company settles and starts growing again, it holds the potential to make its cargo sector stronger, which would augment its growth potential.

Foolish takeaway

Though Air Canada is resilient, the harsh reality of the market cannot be ignored. There is no doubt that Air Canada stock [can make you rich](#) if it recovers in time without diluting further or taking any other drastic measure to stay afloat, which would weaken its value in the market. And that's a big "if" to bank upon. The prudent approach would be to wait and see what the future holds.

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