



Air Travel Is up: Should You Buy Air Canada (TSX:AC) Stock?

Description

There's a lot of doom and gloom in the airline industry right now and for stocks like **Air Canada** ([TSX:AC](#)). But that doesn't mean planes aren't flying and that air travel's going to be at a standstill until the COVID-19 pandemic is over. Many Canadians may be surprised to learn that there's even travel between Canada and the U.S.

The Canada Border Services Agency (CBSA) released its latest air travel numbers earlier this month and during August 3 and August 9, there were 14,809 people who entered the country from the U.S. and 41,313 who came from other countries. The total number of visitors — 56,122 — was the highest since late March.

While this is still nowhere near the level of travel that there was pre-pandemic, it's a sign that travel is increasing, and that there the worst may potentially be behind Air Canada. If the airline is able to keep its head above water and travel numbers are already starting to improve, it'll go a long to help stop the bleeding.

But even though the trend's going up, the International Air Transport Association expects that the industry won't fully recover until 2024.

What does this mean for investors?

An uptick in travel isn't going to make Air Canada any less risky to invest in right now. Travel numbers are still going to be a fraction of what they were a year ago, and even with the increase, they're still down more than 90% from a year ago.

With Air Canada reporting losses of more than \$1 billion in each of the past two quarters, the airline's results have been disastrous of late. And the reality is that losses are going to continue. Even before the pandemic hit, it wasn't always a guarantee for Air Canada to post a profit. In 2018, for instance, Air Canada incurred losses in three of its four quarterly results that year. And while it was profitable last year, only once did its profit margin spike up over 10%.

A modest increase in travel isn't going to save the airline, nor does it guarantee things won't regress, especially if there's another wave of COVID-19 cases. Investors will still need to monitor the company's situation closely as a hint of lockdowns or travel restrictions could quickly send the stock tumbling and put the industry's [recovery](#) in doubt.

Should you buy Air Canada stock today?

If you're a risk-averse investor, then you should steer clear of Air Canada. The stock does have potential if the industry recovers, but it's far from a guarantee that the business will be able to survive for so long. There are much [safer buys](#) out there for investors that may be better options for your portfolio.

But if you're willing to take on the risk, then certainly, Air Canada stock could be a good strategic buy to make. And with more than \$8.6 billion in cash and short-term investments as of the end of June, the airline is still liquid and in a good position to keep on top of its bills and liabilities. But whether that will be the case a year or two from now is anyone's guess.

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Author

djagielski

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