



Worries for Air Canada (TSX:AC) and its Investors Just Got Extended

Description

There seems to be no respite for **Air Canada** ([TSX:AC](#)) and its investors this year. Airline companies have been urging the aviation authorities to ease travel restrictions for a long time. However, it seems that they might have to continue operating at a trivial capacity.

More pain for Air Canada

The Canadian government has extended its travel curbs until the end of September. The Minister for Public Safety and Emergency Preparedness Bill Blair [tweeted](#) last week that international travel restrictions will be extended to September 30 to limit the virus outbreak.

This will be a major blow for Air Canada and other aviation companies in the country. It was widely expected that the travel curbs would be eased after August, as many segments in the economy are re-opening. However, the recently announced extension suggests a continued cash burn for airline companies.

Air Canada has already lost \$2.8 billion so far this year. It earned \$688 million in profit for the same period in 2019. It has been operating with 10-15% of its capacity for the last six months. The country's biggest airline has burned a sizable amount of cash this year, and that has made its balance sheet, which once looked rock solid, notably weak.

What's next?

Air Canada has been working on setting up its own testing booths at the airports for the last few weeks. The step would have helped the airline to track the virus effectively and also alleviate fear among flyers to some extent. However, the recently declared travel limitations might deter those efforts.

Along with Air Canada, **Chorus Aviation** ([TSX:CHR](#)) also [requested](#) to ease travel restrictions last month. Chorus claimed Canada's federal and inter-provincial travel restrictions are some of the most severe in the world.

While the entire global aviation industry is reeling under severe pressure from the pandemic, the prolonged travel curbs might make their revival difficult without government aid.

Chorus Aviation is a much smaller player compared to Air Canada. It reported \$21.6 million in profit for the second quarter of 2020. Chorus stock has lost 65% so far this year.

Air Canada stock showed some encouraging uptrend last week, gaining more than 12%. However, it is still trading 65% lower against its pre-pandemic levels. Importantly, the stock could see downward pressure this week, as its fleet will remain grounded for some more time.

The Foolish takeaway

With travel restrictions in place, airline companies might not get a clearer view of the recovery in the air travel demand. Air Canada might have to focus on cost-cutting measures like route suspension and reducing the workforce again. These extended restrictions will mean one more quarter of loss for the flag carrier and an even higher burden on its balance sheet.

Air Canada stock has held up \$15-16 levels so far in the crisis, even when it reported a big loss in Q2. These levels will be crucial in the short term, and breaching those might open up new downside for the stock.

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