



## 3 Reasons to Buy Air Canada (TSX:AC) Stock Now

### Description

**Air Canada** ([TSX:AC](#)) stock is on sale. Before the pandemic began, shares were above \$50. Now, they're below \$18.

It wasn't always this way. From 2012 to 2019, the stock rose *50 times* in value. You would have become a millionaire by investing just \$20,000.

Air Canada is a proven winner when times are good, but the COVID-19 situation creates a ton of [uncertainty](#). If you can handle a bit of risk, you can use this uncertainty to your advantage.

### Money is available

Despite horrid conditions, Air Canada has been able to consistently raise billions to survive. That's impressive.

In March, air traffic plummeted around the world. And I mean *plummeted*. Within weeks, air traffic fell by 95%. No airline was spared.

Air Canada is still flying at around 5% of capacity. With high fixed costs, this is a recipe for disaster. Last quarter, the company lost \$1.7 billion. The quarter before that, it lost \$1.1 billion. That's a \$2.8 billion loss in just six months. The crazy part is that its entire market cap is down to just \$5.3 billion.

But survival is all about liquidity. Last quarter, executives noted that they have roughly \$9 billion left. That's a significant improvement following several multi-billion-dollar financings. Right now, the company has more than 12 months of runway left. And unlike previous predictions, it seems like the market is happy to [continue lending](#).

As the COVID-19 crisis eases, Air Canada's odds of survival look significantly better than a few months ago.

## Consolidation is good

For decades, Warren Buffett avoided airline stocks like the plague. He hated the intense competition, which made long-run profits impossible to attain.

Over the last century or so, there have been nearly 100 airline bankruptcies. “I mean, that is a lot,” Buffett remarked. “It’s been a disaster for capital.”

However, recent consolidation has created a more rational operating environment.

“It’s true that the airlines had a bad twentieth century,” Buffett added. “They’re like the Chicago Cubs. And they got that bad century out of the way. The hope is they will keep orders in reasonable relationship to potential demand.”

Before the pandemic, Air Canada already controlled 50% of the domestic market. Hard times mean that more competitors will exit the market, giving the company greater long-term market share but also improved pricing power.

## No one likes Air Canada stock

One of Buffett’s favourite sayings is to be “fearful when others are greedy, and greedy when others are fearful.” Right now, the market is clearly fearful about airline stocks.

After the brief but dramatic plunge in March, most stocks rebounded strongly. The entire airline industry remains in the dumps. And for good reason, as conditions remain awful.

If you’re willing to take a long-term view, it could be time to pick up shares. Air Canada seems capable of making it out alive, and if history is any suggestion, the competitive environment should be much improved in the years to come. The industry may remain smaller, but Air Canada should command a larger slice of the pie.

There’s risk here, but also plenty of potential upside.

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