



Air Canada (TSX:AC) Stock: Avoid or Buy?

Description

September 2020 could be the [tipping point](#) for **Air Canada** ([TSX:AC](#)), as it's the last month of a forgettable third quarter. The financial results in the next presentation could spell doom for the airline company. Nothing noteworthy happened in July and August except that the stock price hovered between \$16 and \$18.

Air Canada has been begging the federal government to lift travel restrictions and ease quarantine requirements. The requests have been falling on deaf ears, yet the company is not throwing in the towel. Pretty soon, investors banking on [false hopes](#) will make the tough call to avoid or buy the airline stock.

Moving heaven and earth

Management is practically moving heaven and earth for the government authorities to look their way. The company launched a voluntary COVID-19 study of international travelers deplaning at Toronto's Pearson Airport.

Air Canada is hoping the campaign would soften the government's position and lead to lifting travel restrictions, including the 14-day quarantine. Participating passengers will provide samples for COVID-19 analysis.

The polymerase chain reaction (PCR) tests are done upon arrival with two follow-ups to establish how many travelers arrive with infections. Canada requires anyone arriving in B.C. from outside Canada to self-isolate for 14 days upon arrival.

The B.C. Centre for Disease Control (BCCDC) reported a COVID-19 case in Air Canada's flight 195 from Toronto to Victoria on September 5, 2020. Anyone with possible exposure to an infected passenger on a domestic flight must self-monitor for symptoms for 14 days.

Most global carriers and airports around the world are in favour of replacing government-imposed quarantines. The suggestion is to take a layered approach, like temperature checks, cleaning, and

wearing masks. However, the Canadian government won't budge.

Canada is an essential destination; travel restrictions are also hurting the businesses of local and foreign airlines. Air Canada is severely disadvantaged by weak international travel demand and extended restrictions in the home country.

Merger investigation

In another development, E.U. antitrust regulators' investigation on Air Canada's proposal to acquire Transat AT has resumed. The promulgation of the decision is on December 11, 2020. In May, Air Canada offered to buy the tour operator carrier for \$720 million.

The potential merger worries the European Commission, because it could result in higher prices and less choice for flights between Europe and Canada. Transat is also in dire straits following the 99% drop in revenue in the most recent quarter. It's planning to lay off at least 2,000 Canadian employees permanently.

Nothing to offer

One more disastrous quarterly earnings report could revive bankruptcy possibilities. The market capitalization is shrinking fast (down to \$5.26 billion as of this writing), while the fresh funds it obtained in the first quarter are dissipating with the massive daily cash burn.

The dethroned high flyer of 2019 has nothing to offer that could whet investors' appetite. Air Canada is a losing proposition. My advice is to sell to cut losses and avoid buying so as not to burn money.

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