



Air Canada (TSX:AC): Could Warren Buffett Buy it?

Description

Warren Buffett has always been a staunch supporter of buying great businesses at good prices. And when we look at his buys and his advice, it's evident that he believes in the intrinsic value of a business, and not opportunistic buying. This means Buffett might not buy something just because it's dirt cheap now. He might buy a company that's inherently strong and has a lot of potentials, even if it's trading at a fair price.

This might be the reason why he didn't buy anything when the whole market was at a discount. Buffett didn't buy much when most stocks were trading at rock-bottom prices, even though his company was sitting on a huge cash pile, and many of the stocks would have doubled his investment in a matter of a month. But apparently, he didn't find anything he could see himself holding for a decade or so.

Does **Air Canada** ([TSX:AC](#)) [fit the bill](#)?

Air Canada

Air Canada can easily be considered a good company. It might not be a good business right now, but the company is resilient; it's in a secure position, operates in a low competition environment, and has a proven track record of surviving and growing.

But the price the company is paying for its survival is very high, and it might leave the company crippled for a very long time. Right now, the company is depending upon its liquidity to survive, since almost no money is coming in through operations, even though the company is focusing on its cargo business. But the losses from its regular flight operations easily swallow up the cargo profits.

According to last quarter's results, the company has about \$8.6 billion in cash and cash equivalents, and it also had approximately \$8.3 billion tied up in current liabilities. It's a precarious balance, and things aren't looking very hopeful.

Warren Buffett and airlines

Warren Buffett let go of his airline stake and admitted that he was wrong about the business. He doesn't like the industry as a whole (for now), and Air Canada, no matter how good it is, is not too much of an outlier to stand out from this doomed sector. Also, the Canadian government's restrictions, which are necessary to contain the second wave of the virus, are unfortunately stifling any chances of recovery the company might have.

Air Canada is already in a dominant position. If it can stand its ground for a few more quarters, it might be the only player left in the Canadian airline industry to capitalize on the industry's recovery. But is this enough for Buffett to add it in his portfolio?

Foolish takeaway

Warren Buffett is probably not going to buy Air Canada. We can't be a 100% sure that he wouldn't, because Buffett is doing many unusual things this season, but Air Canada might currently be [too risky](#) for Buffett. Ironically, if Buffett *does* end up injecting a significant amount of money in the company, it might be what improves the company's chances of a fast recovery.

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