



Air Canada (TSX:AC) Stock: Hear What the CEO Just Revealed

Description

Air Canada ([TSX:AC](#)) stock is stuck. Since the COVID-19 pandemic began, shares have traded sideways, valued at roughly \$17.

Before the pandemic, however, it was a much different story. Shares rose *50 times* in value from 2012 to 2019, peaking just above the \$50 mark.

Many investors are betting on a [turnaround](#). Air Canada stock used to be an easy way to make a ton of money. Now trading at a discount, some argue that this is a rare second chance to get in on the action.

Others aren't so sure. The COVID-19 crisis rages on to this day, and the future is as uncertain as ever.

If you want to know where this stock is headed, pay close attention to what its CEO has to say.

Read the details

When the COVID-19 crisis first hit, Air Canada CEO Calin Rovinescu quickly stated how serious the pandemic would be for airlines.

"We're now living through the darkest period ever in the history of commercial aviation, significantly worse than the aftermath of 9/11, SARS, or the 2008 global financial crisis," he told investors shortly after the downturn began. "There is little doubt that we are not yet out of the trough."

Months later, his words ring true. Airline traffic is still 90% below its pre-pandemic peak, and several carriers have already gone bankrupt.

Air Canada always faced unique circumstances, as the entire border between Canada and the U.S. was shuttered to tourism. Today, 85% of Canadians are still in favour of a closed border.

"For Air Canada, the pandemic and government-imposed lockdowns and travel restrictions the world over have ended a run of 27 consecutive quarters of year-over-year revenue growth," Rovinescu

stressed at the time.

Recently, we got an updated take from the company during its latest conference call with investors. If you own the stock or are thinking about jumping in, make sure you read these words.

New info from Air Canada

The latest quarter was ugly. By all accounts, there has been zero improvement in airline traffic, even though analysts were hopeful on several occasions. Again, Rovinescu blamed government restrictions.

“With Canada’s federal and interprovincial restrictions — which have been amongst the most severe in the world — we carried less than 4% of the customers carried during last year’s second quarter. Revenue passengers declined more than 96% compared to a year ago,” he said.

With high fixed costs, these revenue declines forced huge losses. Over the last six months, Air Canada lost nearly \$3 billion. That’s concerning since it only has around \$8 billion in liquidity left. The clock is ticking.

It’s important to dig into the [details](#) here. How exactly is the Canadian government standing in the way of a recovery?

“At present, there exists no fewer than four overlapping barriers to travel and economic recovery, imposed by governments in Canada,” Rovinescu claims. These include a blanket restriction on all foreign travelers, blanket quarantine rules, interprovincial travel barriers, and travel advisories to avoid all non-essential travel.

Together, Rovinescu believes “these measures constitute one of the most severe aviation lockdown regimes in the world.”

For now, there’s no indication that the government will ease up on these restrictions, nor is there a sign that passenger traffic would pick up meaningfully should they be lifted.

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