



Air Canada (TSX:AC): A Once-in-a-Blue Moon Chance to Get Rich?

Description

Many investors who held shares of **Air Canada** ([TSX:AC](#)) from December 31, 2009, to December 31, 2019, became wealthy. Had you bought at least \$27,211 worth of the airline stock, you would have ended with \$1 million in cash.

Air Canada emerged from bankruptcy protection, and the stock was trading at only \$1.32 per share. After 10 years, it soared by 3,575% to \$48.51. It was the great comeback story of the decade. Will [history](#) repeat itself? Is there a once-in-a-blue-moon opportunity for investors to get rich?

Airline industry disaster

Last year, Air Canada was also the toast of investors as it delivered a total return of 92%. Before the first quarter of 2020, Canada's most dominant carrier held a distinguished record of 27 consecutive quarters of growth and profitability. COVID-19 destroyed the record and sent the stock crashing to the ground. Suddenly, the company is flying at not more than 15% of its former capacity.

Air Canada President and CEO Calin Rovinescu, the same executive who piloted the successful restructuring 17 years ago, said the impact was severe and abrupt. The company reported back-to-back quarterly losses in 2020, \$1.05 billion (Q1) and \$1.55 billion (Q2).

The federal government hasn't made a bailout offer to date. Meanwhile, Air Canada expects to burn \$15 million to \$17 million in cash in Q3 2020 and the same amount in Q4. Several problems are hovering, including passenger refunds. However, the most significant roadblocks are travel ban extension and strict quarantine requirements.

Transat deal proceeding

Despite the devastating effect of COVID-19 on the global airline industry, Air Canada is proceeding with the **Transat AT** acquisition. However, the buyout price for the tour operator is much lower to reflect the post-COVID depreciation of airline values. Instead of \$720 million, the offer is down to

\$188.7 million.

According to Rovinescu, the deal is worth pursuing. It will provide stability for Transat's operations and its stakeholders. The Canadian aviation industry, in general, and Air Canada, in particular, will and will emerge more strongly entering the post-COVID-19 world.

Aside from the amended Transat deal, Air Canada sold nine **Boeing** 737 Max 8 jets for \$485 million and long-term lease commitments of \$458 million. It adds financial flexibility, and the money can offset the cash burn due to the pandemic.

Also, Air Canada will launch its new Aeroplan on November 8, 2020. The goal is to win back frequent flier business members' loyalty and attract leisure travellers with a much-needed incentive. Air Canada hopes to maintain a valuable loyalty program.

Test-based strategy

Air Canada continues to bat for dropping the 14-day mandatory quarantine period for travellers returning to the country. It's proposing a test-based approach as a safe alternative. More than 99% of 15,000 voluntary COVID-19 tests taken by international customers at Toronto Pearson International Airport have tested negative.

As of October 9, 2020, you can purchase Air Canada at \$16.09 per share. Another market crash could send the [stock plunging again](#). If you have the patience to wait until 2023, a massive windfall might be in the offing if you invest in the airline stock today.

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