



Air Canada (TSX:AC) Investors: This New Bombshell Should Frighten You

Description

Air Canada ([TSX:AC](#)) stock crashed when the coronavirus pandemic hit. Shares fell from \$50 to \$15 in a handful of weeks.

Many investors jumped in after the fall, betting that a rebound would soon take place. That rebound never happened. Today, shares still trade around the \$15 mark.

There's still hope. Government agencies report that passenger traffic is now on the rise. That's coming from a very low base, but no one is complaining about growing numbers right now.

Is it finally time to buy Air Canada stock?

This is the deal

This week, we learned some terrible news about Air Canada stock. The market largely ignored the news, but if you own shares in the airline, you should be very nervous.

But before we get to that news, it's important that you understand what's going on right now.

When COVID-19 hit hard in March, shares of every airline carrier plummeted. Few have rebounded. Some have gone [bankrupt](#). Those still hanging on are ticking time bombs.

Just look at Air Canada. Last quarter, the business posted a \$1.7 billion loss. That's after a \$1.1 billion loss the quarter before. This quarter, expect *another* billion-dollar loss. Current conditions are a nightmare. The business is simply hemorrhaging cash.

No company can generate multi-billion dollars losses forever. That includes Air Canada. If something doesn't change quickly, its future is in peril.

Let's run through the numbers.

Air Canada executives believe the business has roughly \$9 billion in liquidity left. That figure was

reported at the end of last quarter, so liquidity is likely down to just \$8 billion. Add in another \$1 billion in recent financing, and you end up at the same \$9 billion in total liquidity.

Over the last six months, the business lost nearly \$3 billion. That's a loss of \$6 billion per year. The numbers are clearly scary. Liquidity could dry up in 18 months or less.

The ability to raise additional financing may be limited as well considering its market cap is under \$5 billion. Air Canada could lose more in 2020 than its entire valuation!

Who knows the numbers the best? Company executives. They're likely doing the same math, wondering how the business will survive in 2021. There aren't many ways to win. Either current conditions continue and the airline goes bankrupt, or additional financing continues to plug the gap, massively diluting existing shareholders.

This leads us to the terrifying news item that hit earlier this week.

Air Canada is a lost cause

If company executives know the business best, you should take recent events seriously.

"Air Canada president and CEO Calin Rovinescu is retiring on February 15 after more than a decade at the helm of the carrier," [reports](#) *Business Traveler News*.

This is particularly concerning since Rovinescu hasn't shied away from tough jobs before.

"Rovinescu previously oversaw Air Canada's bankruptcy reorganization in 2003 as chief restructuring officer, after which he left to form Canadian investment bank Genuity Capital Markets," *Business Traveler News* detailed.

The math just doesn't add up. Air Canada is headed for a crash landing in 2021, and its CEO doesn't seem like he wants to join the ride down.

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