



Air Canada (TSX:AC) Is a Scary Investment

Description

No less than a year ago, most investors viewed **Air Canada** ([TSX:AC](#)) as one of the best investments on the market. There was a good reason for that position. Air Canada was one of the best-performing stocks on the market with double-digit (and sometimes triple-digit) growth spanning back years. The company was renewing its fleet, adding new routes and profitable. Unfortunately, that's all changed now. To be blunt, Air Canada is a scary investment, and not just on Halloween!

Old fears are returning

More than a decade ago, Warren Buffett famously commented on airlines. He alluded to their high costs and specialized needs, which continued to plague the industry. That position eventually gave way to the Oracle of Omaha investing heavily in several airlines. Once 2020 rolled around, he exited that position and has moved on to another [intriguing segment](#).

Nobody can argue that 2020 hasn't been an absolute disaster for the airline industry. Many of us may struggle to recall the segment prior to the onset of the COVID-19 pandemic, but it was already in decline. Remember the 737-max fiasco? In case you're wondering, the plane is *still* grounded, and the FAA last month was calling for design changes to be made before the jet is reintroduced to passenger service. Air Canada has 24 737-Max aircraft in its fleet.

In other words, it could be at least a year before the airline is flying its max fleet again, and several years before the full impact of the pandemic is behind us. That's also assuming that international governments open their airports to passenger travel, too. The uncertainty around the next two years alone makes Air Canada one scary investment.

Air Canada is a scary investment, but for how long?

To be clear, Air Canada is still operating during the pandemic, just on a reduced schedule with lower passenger volumes. This doesn't bode well for results that continue to be anything but stellar.

In the most recent quarter, Air Canada moved just 4% of the passengers than it did in the prior quarter. That was the contributing factor in the airline posting a whopping \$1.7 billion loss. The loss only adds to the \$1.1 billion reported in the prior quarter this past spring. Fortunately, Air Canada still has the liquidity to weather this current storm.

To be clear, there's little reason to doubt that the pandemic won't end within the next year and that the worldwide economy (including air travel) will resume again. Air Canada has been through challenging times before, and it will continue to persevere. It's just that based on the current market conditions, there are far better options on the market at the moment for investors. (even within the airline industry).

In other words, unless you've already backed up the truck on Air Canada and are holding on for the recovery, there are [far better investments](#) that are a lot less scary to be had.

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Author

dafxentiou

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