



## Air Canada (TSX:AC) Stock: The Writing Is on the Wall

### Description

The COVID-19 virus has not only infected millions of humans worldwide, but has also damaged the airline industry, many of which have been grounded because of the pandemic. Indeed, airlines around the globe are stretching their liquidity and resources in order to survive.

**Air Canada** ([TSX:AC](#)) is no exception. The company has been bleeding millions every day, ever since the pandemic knocked the revenues down to the ground. And though it took drastic measures and diluted its shares to increase its liquidity and survive, if the air travel doesn't resume to normal levels anytime sooner, the company is essentially just trying to delay the inevitable.

### Is bankruptcy inevitable?

No, and if you'd asked most investors before the second wave, most people would've concluded that it's also highly improbable. But the second wave has reignited the fear of flying, discretionary spending (including holidays) is still low, and people are still skeptical about a functioning vaccine. A vaccine can be a significant force to dissipate the fear of the pandemic and flying.

Still, the company has plenty liquidity to cushion upon, which might allow the company to survive despite minimal revenues coming in. While it has laid off almost half the staff to cut down its operational costs, the company is facing another major problem in the shape of refunds, potentially putting a severe dent in the company's unrestricted liquidity hoards.

Bankruptcy might be inevitable if the situation of the air travel industry stays the same or worsens in the next year. But if the situation improves, that is, a vaccine is developed, or the whole world pulls through the worst of it, Air Canada [might just survive](#), albeit in a fragile condition.

### More woes

The good news for airlines in Canada is that the government has decided to step in. The negotiations regarding how exactly the government will support the airlines might begin this week. But this

assistance will come with its own stipulations and costs. Most important of which are refunds and resuming canceled routes.

Air Canada's bid for solidifying its dominance in the country's airline industry by acquiring Transat is also facing delays, thanks mostly to European Commission delaying the decision on that. Air Canada has also cut down the buying price quite substantially. Once, it was offering \$720 million for the acquisition; now it's brought the price down to \$190 million.

## Foolish takeaway

It's difficult to predict whether bankruptcy is imminent or a government bailout might save the company; one certain thing is that Air Canada will see [a few difficult years](#). The protracted recovery timeline means that if you want to benefit from a stock's recovery and see some quick gains, Air Canada might not be an excellent bet.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:AC (Air Canada)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

### Category

1. Investing

### Date

2025/09/13

### Date Created

2020/11/14

### Author

adamohtman

default watermark

default watermark