



Air Canada (TSX:AC) Will Not Sell an Equity Stake to Ottawa in Return for Aid: CEO

Description

In an [interview with BNN Bloomberg](#), **Air Canada's (TSX:AC)** president and CEO Calin Rovinescu said the company will need the government to step in and provide financial aid if it has to provide a refund to customers on canceled flights. However, Rovinescu also clarified Air Canada will not sell any equity stake to Ottawa as part of the deal given the poor history of state ownership in airline companies.

Rovinescu said, "Our objective has been not only to survive, but to be competitive coming out of the pandemic. We're competing with carriers around the world that have been supported by their government, so we'd hope the terms would be on a reasonable basis."

According to the *BNN Bloomberg* report, Air Canada has already paid \$1.2 billion in refunds driven by the travel restrictions imposed during the COVID-19 pandemic. However, the company has not provided refund payouts to passengers with non-refundable tickets. While several countries have announced financial aid to the beleaguered airline industry, Canada has refrained from doing so.

Air Canada stock has lost 59% in 2020

While Air Canada stock was one of the top-performing companies on the TSX prior to the pandemic, it has lost close to 60% year to date. However, in the last week, Air Canada gained momentum on the back of promising vaccine results first by **Pfizer** and then by **Moderna**. Air Canada stock has in fact gained 36.5% in the last eight trading days.

While the future is hopeful, it will take close to a year or maybe even more for the vaccine to be administered to the global population. This means it will take another two years for air passenger traffic to reach pre-COVID-19 levels.

Further, there are chances that business travel may have changed permanently with the transition to remote work and the advent of multiple collaboration tools. The global economy is in the midst of a recession, which means consumer spending will remain subdued in the near term, which will impact

the air travel and tourism industry.

Air Canada should brace for a tough couple of years, which means it needs to ensure it has a strong balance sheet and robust fundamentals. The company's passenger volume was down by 96% and 88%, respectively, in Q2 and Q3 of 2020, which meant it burnt billions of dollars in cash.

In the September quarter, [Air Canada's sales were up](#) 38%, while operating losses declined by 50% on a sequential basis. However, it still lost close to \$820 million, indicating a cash burn of \$9 million each day.

What's next for Air Canada investors?

Air Canada ended Q3 with \$9 billion in liquidity. It expects to operate at 25% of capacity in Q4, which means revenue will grow at a healthy pace on a sequential basis. However, sales are forecast to fall by 75% year over year to \$1.1 billion in Q4, which means sales decline in 2020 will be around 68.4%.

While analysts expect Air Canada's revenue to rise 67.4% to \$10.1 billion, it is still significantly lower compared to its record revenue of \$19 billion in 2019.

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