



Air Canada (TSX:AC) Stock Just Hit a Massive Buy Signal

Description

Ever since the pandemic began and international travel stopped, it seemed that **Air Canada** ([TSX:AC](#)) was going to see its wings get clipped. After reaching [all-time highs](#) back in February 2020, Air Canada fell to lows that it had never seen thanks to the pandemic.

Most of the stocks trading on the **TSX**, along with Air Canada, fell drastically with the onset of COVID-19 and the ensuing lockdowns. Unlike Air Canada, almost the entire stock market has recovered close to the pre-pandemic valuations — until recently, that is.

The news has recently come out regarding a promising vaccine. If the development turns out to be favourable, air travel could be up and running at full steam once again. Air Canada shares shot up 38% between October 30 and November 9 after the excellent news.

This could be the beginning of a comeback for the beaten-down airline.

The good news besides vaccines

The vaccine might not be the only reason to be hopeful for Air Canada. The most significant problem investors have with Air Canada is its massive debt. The company's finances were not in the healthiest position before the pandemic was even a factor. It took on debt to improve its services and generate more revenue.

The airline invested in a new fleet of airplanes, reevaluating its flight paths, and it invested in the Aeroplan program. The onset of the pandemic led to a shutdown in revenue generation and an increase in its debt load. With very few planes in the air again, it is nowhere near generating the same revenue it was before the pandemic.

Besides the vaccine, the good news is the possibility of a government bailout for the company. The government has taken measures to help individuals and businesses during this time.

The Canadian government has not made any announcements about bailing out the flag-carrying

airline. However, it has already bailed out airlines in the past. A bailout can likely get it out of the mountain of debt, making things far less complicated for the airline stock.

Outlook for the coming year

The total debt for the airline stands at around \$10 billion. If the government bails out the airline, that could bring the debt down to \$7 billion — the same position it was in before the pandemic. The company has sufficient investments to help it gradually overcome the rest of the debt.

Air Canada took on the debt to purchase more fuel-efficient aircraft and create more efficient flight paths, and Aeroplan will bring in more revenue for the company. Additionally, the company will soon have control of more than 60% of Canada's airline industry. These factors can combine to send the airline stock [soaring to new heights](#) again.

Foolish takeaway

With the possibility of a bailout on the way and a promising vaccine, things do not seem too grim for the beaten-down airline stock. While the recovery may be easier said than done, it is possible that Air Canada could make a bullish run very soon.

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