



## Air Canada (TSX:AC): Finally, Some Good News

### Description

**Air Canada** ([TSX:AC](#)) stock had a rough landing in 2020. Shares are still down 50% since the year began. Things could finally be turning a corner.

We just got some news that most investors will ignore, but you can peer into the future by understanding the impact.

### Here's what happened

As mentioned, airline stocks were slammed this year. We have already seen several major bankruptcies. Thus far, Air Canada has been able to hold on, but it hasn't been pretty.

For 2020, the company is expected to lose somewhere between \$4 billion and \$5 billion. Executives plugged the gap by selling more stock and issuing new debt. That's kept the business afloat, but at the cost of stockholder dilution and leveraging up the balance sheet.

Not all carriers have had problems, however. One type in particular has escaped the downturn altogether: cargo transporters.

Just look at a stock like **Cargojet**. Shares nearly doubled this year due to a rapid spike in e-commerce, which sent revenue soaring. People abandoned physical retail shores for digital shopping, and companies that ship those goods directly benefited.

Cargo represents just a tiny fraction of Air Canada's business, but that could be about to change. This week, Jason Berry, former head of Alaska Air Cargo, took a leadership position at the company.

"Mr. Berry is currently president of McGee Air Services, a subsidiary of Alaska Airlines, where he spent seven years as head of cargo," [reports](#) *The Loadstar*. "During his tenure, Alaska became the first US passenger carrier to operate freighters in recent years."

Carriers focusing on cargo are generating massive profits right now. The shift to e-commerce in

Canada specifically lags other developed countries, so there could be a long runway of growth if Air Canada is able to become a major player. The appointment of Jason Berry could signal a more serious intent to execute on that potential.

## Buy Air Canada stock?

If this company can get more involved in cargo transport, it would take a lot of weight off the traditional passenger business. That's important given that most airline executives believe a full recovery is still a year or two away. Some believe that we'll *never* return to 2019's baseline, which would make revenue diversification even more critical.

Unfortunately, this process will take several years to play out. Cargo is a very different business model — the primary reason why pure-play cargo carriers like Cargojet have been so successful. They know their market well and are optimized for execution.

While Air Canada isn't starting from scratch, it still has a long way to go to build out its capabilities. There's opportunity here, but not near-term. And right now, Air Canada has to think very near term. It's still [losing](#) around \$1 billion every 90 days, and losses could continue for another year or more.

Yet there could be upside for risk-tolerant investors willing to buy now. Just know that you're betting on a story that won't resolve itself in a few months, or even a few years. This is for patient investors only.

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### Date

2025/08/25

### Date Created

2020/12/06

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