



Air Canada (TSX:AC) Swallowed Taxpayers' Big Money: Can Its Stock Impress Investors?

Description

Shares of **Air Canada** ([TSX:AC](#)) — Canada's largest airline — are staging a sharp recovery in the fourth quarter after disappointing investors in the previous three quarters. The year 2020 has been no less than an big bumpy roller coaster ride for its investors.

The airline's stock tanked by 67.5% in Q1. A minor 7.6% recovery followed these massive losses in the second quarter. But Air Canada stock nearly erased all these second-quarter gains again in the third quarter.

AC swallowed taxpayers' big money

"Air Canada has received the largest amount of government pandemic aid of all publicly traded companies in Canada that have disclosed their finances to shareholders to date," [claims](#) a recent CBC News investigative report.

Imperial Oil was the second biggest beneficiary of the Canada Emergency Wage Subsidy scheme. Imperial oil received around \$120 million in government aid. According to the report, Air Canada received nearly four times more of taxpayers' money than Imperial Oil from the Trudeau administration.

The investigative news report also quoted Peter Fitzpatrick — Air Canada's spokesperson — saying that "Put simply, we are by far the biggest company in perhaps the worst industry."

Investors' worries continue

While Air Canada's stock has seen a 74.3% recovery in the fourth quarter so far, the worries for Canada's flag carrier are seemingly far from over yet. Last month, the airline reported its third-quarter results. The quarter turned out to be another big disappointment for its investors as the airline continued to miss Bay Street's earnings expectations.

In Q3 2020, the airline reported an adjusted net loss of \$4.30 per share — making the quarter its worst quarter so far during the ongoing pandemic phase.

These losses were worse than Air Canada's \$4.01 adjusted net loss per share in the previous quarter. With this, the company missed analysts' expectations of a \$2.60 loss per share by a huge margin.

Q3 was also Air Canada's first quarter in 2020 when it missed analysts' consensus revenue estimates. The airline's revenue tanked by 86.4% year-over-year in the third quarter to \$757 million. This Q3 revenue figure was higher compared to its Q2 revenue of \$527 million, though.

Can its stock impress investors?

Air Canada has been missing earnings expectations for the last five quarters in a row. It implies that the airline's financial performance was below experts' and investors' expectations even much the COVID-19 started.

Air Canada is Canada's flag carrier. That's why its troubles always easily attract the government's attention, as I've [argued](#) in one of my previous articles. The significant government aid — that it received earlier this year — verifies this fact.

But the government subsidies and other similar aids might not be enough to fuel a sustainable rally in its stock price. Overall, Air Canada still has a long way to get back on track financially.

That's why I wouldn't want to bet on its stock at the moment — at least not until I see any good sign of a fundamental recovery.

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