



\$10,000 Invested in Air Canada (TSX:AC) at the Start of 2020 Is Worth This Much Today

Description

COVID-19's impact on the aviation industry is unprecedented. Hopefully, the coronavirus vaccines could save airline companies that are on the verge of collapse. For Canada's largest domestic and international airline, a vaccine offers hope for a [comeback](#).

Air Canada ([TSX:AC](#)) shares are climbing lately, but the year-to-date loss is still a high 46%. Had you invested \$10,000 at the start of 2020, your money would be worth \$5,232 today, or a loss of \$4,768. The company's losses after three quarters are over \$3.35 billion. One positive development in the most recent quarter is the narrowing daily cash burn.

Bleak outlook in 2021

Next year isn't looking bright at all for Air Canada. The company recently said it continues to experience significantly reduced traffic due to the ongoing travel restrictions, quarantine rules, and low seasonal demand. However, the latest announcements show the [shaky situation](#) of Canada's flag carrier.

Air Canada advised Atlantic Canada's airports that more service cuts and station closures are forthcoming effective January 11, 2021. All flights in Sydney, N.S., and Saint John, N.B. will be suspended until further notice. The same suspension will apply in routes covering Deer Lake, N.L., Charlottetown, Fredericton, and Halifax.

According to the Atlantic Canada Airports Association (ACAA), station closures are the worst-case scenario for some of its region's smaller airports. Early in June 2020, Air Canada indefinitely suspended 11 routes in Atlantic Canada. The stations in Bathurst, N.B., and Wabush, N.L. were closed, too.

Derrick Stanford, ACAA president, said, "Service has been whittled down to an unsustainable level for our airports. Our industry cannot survive and operate in these conditions, and we are seeing the worst-

case scenario playing out here today.”

Shift to cargo business

Air Canada is shifting from passenger flights to cargo missions after reaching a deal with pilots to operate dedicated cargo aircraft. Since spring, three B777-300s and four A330-300s, without seats, have been flying cargo missions. The airline company plans to expand to a dedicated freighter business, according to its outgoing CEO, Calin Rovinescu.

The plan is to convert no more than 767s into permanent freighters. They will do 100 cargo flights a week in the fourth quarter of 2020. If necessary, Air Canada can turn some from its fleet of idle 30 767-300ER aircraft into freighters.

Cargo is becoming an important part of Air Canada's business, with capacity and passenger revenue not likely returning to pre-coronavirus levels anytime soon. The all-cargo planes are viable, given Air Canada's global network.

Waiting for financial support

Air Canada is crying out for help and specific financial support. Based on the findings of *CBC News*, Air Canada received the collected \$492 million in public funds collected from the Canada Emergency Wage Subsidy (CEWS). It's the largest CEWS benefit availed by a publicly listed company as of September 30, 2020.

Management regrets its move to close stations and suspend flights in several routes. It has become increasingly difficult to continue operating in a challenging environment. Management is waiting for negotiations with the federal government to start. For investors, the new developments could erase the gains in recent weeks. Invest in the airline stock with caution.

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