



WARNING: Air Canada (TSX:AC) Stock Could Crash in 2021

Description

Air Canada ([TSX:AC](#)) has been on a wild rally in the second half of 2020. Since its March low (around \$12), it has risen more than 100%. All this is despite three consecutive losing quarters and revenue down 88% for the year!

How could a company that's losing so much money see its stock soar so high?

It all comes down to the vaccine catalyst. With the COVID-19 vaccine already being shipped to Canada, it seems like the end of the pandemic is within sight. With the vaccine, travel restrictions should be eased and life should return to normal. With that, Air Canada will be able to get right back to its 2019 revenue levels and start growing its profits again.

Right?

Well, not quite. Air Canada has already forecast that it will take [three full years](#) to get back to the revenue levels it was at before the pandemic. It's quite likely that the company's first earnings post-vaccine will disappoint. In that scenario, the stock may crash once more.

Fourth-quarter earnings are coming soon

Air Canada's fourth-quarter earnings are going to be coming out soon and they won't be good. AC has lost about \$1 billion per quarter on average this year. Thanks to cost cutting, the company lost less in the third quarter than in the first and second. But its revenue was still down 86%. In the fourth quarter, Air Canada might avoid a billion-dollar loss. But it's almost guaranteed to lose hundreds of millions of dollars. If it loses \$600 million or more, than full year 2020 losses will cross the \$4 billion mark — over half of the company's market cap!

The vaccine rollout isn't a sure thing

While investors are clearly excited about Air Canada's prospects in the [post-vaccine world](#), that

vaccine is far from a sure thing.

There are many issues that could slow down the vaccine rollout, including

- Unexpected adverse reactions to the vaccine;
- Supply chain issues;
- People refusing to take the vaccine; and
- A new mutation of COVID that the vaccine isn't effective against.

Any one of these factors could slow down the vaccine rollout and delay the economic re-opening. Air Canada has already predicted that it will take three full years to get back to 2019 revenue levels. Any delay in the vaccine rollout makes that scenario more likely. If that scenario does play out, then Air Canada is looking at potentially several more years of net losses.

This could be a good time to take profits

If you managed to grab Air Canada stock when it was cheap this year, it might be a good time to take profits now. If you got in at \$12.15, then you've more than doubled your money by now. If you cash out, you'll realize a tidy profit. If the fourth quarter disappoints, then AC stock could start crashing again. Ditto for any seriously bad vaccine news. So, if you can cash out now at a big gain, you avoid more pain in the year ahead.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Investing

Date

2025/08/18

Date Created

2020/12/16

Author
andrewbutton

default watermark

default watermark