



2020: Air Canada (TSX:AC) Battles COVID-19 Pandemic

Description

Until last year, people were always on the go 24/7. Even sudden travel plans from one city to another were a routine getaway for people. All 12 months would look like the travel season. Most airlines, including **Air Canada** ([TSX:AC](#)), enjoyed significant growth. Heavy discounts on flight reservations attracted more people to travel through airlines. Suddenly, the world got jinxed with the COVID-19 pandemic.

The pandemic paralyzed the movement of the airline sector and all related sectors. Airlines reduced workforce, grounded passenger flights, and converted few aircraft to freight carriers to reduce cash burn.

Calin Rovinescu comes to the rescue of Air Canada and investors

Berkshire Hathaway owner Warren Buffett said, “The world has changed for the airlines.” He even admitted that he made a mistake by investing in airlines. In May, he sold all of his stakes in the four largest U.S airlines. Even **Microsoft** co-founder Bill Gates is not optimistic about a recovery in business travel. He doesn’t expect that the pandemic to be eradicated before 2022.

Little did Calin Rovinescu, president and CEO of Air Canada, know that he would have to play the airline rescuer again. Rovinescu is a long-time player in the aviation sector. He played a major role in the 2003 SARS epidemic that pushed AC to bankruptcy. He was the brain behind reviving AC from the epidemic. Later, he joined AC as CEO in 2009.

In the 2020 pandemic crisis, Rovinescu pulled up his socks again to save the airline from another brush with bankruptcy. At present, Canadian airlines are suffering the most from the government’s [international travel restrictions](#). These have led passengers to cancel their travel plans and airlines to ground more flights.

Vaccine rollout extended due to side effects

The United States gave the world good news by approving two [COVID-19 vaccines](#) from **Pfizer** and **Moderna**. AC shareholders started to breathe easier after battling the see-saw volatility of the stock price. Rovinescu took the vaccine news as an opportunity and lobbied the Justin Trudeau government to uplift the blanket ban on international travel.

However, the vaccine updates from Pfizer were a roller-coaster ride for investors. Their claim of 90% effectiveness backfired when vaccinated candidates experienced health issues like injection site pain, transient fatigue, headache, and elevated temperature.

Investors' optimism around the vaccine became bleaker. There will be many challenges in the successful rollout of the vaccine. The hope for passenger travel to return will take longer to materialize. So, what first aided AC?

Air Canada cargo

When travel restrictions reduced commercial flight demand, cargo saved the day. AC removed seats and replaced them with cargo boxes. AC will convert Boeing 767 aircraft to freighter planes. Rovinescu said cargo will be an increasingly important part of the business.

This makeshift to the cargo was not a new idea for AC. Earlier this year, it enlisted three of its Airbus A330's to ferry medical supplies. Thanks to **Cargojet's** increasing cash flow, AC became more optimistic towards the cargo business. AC's slithering progress towards recovery needs to be consistent. Only then it can recuperate in the next three years.

Leave it: Don't take it

Investors will get to see the practical image of AC in the fourth quarter of 2021. The only catalyst that will make or break AC will be a successful vaccine rollout. Don't get carried away with the vaccine news till it shows progress in reducing the virus spread.

Nonetheless, people have still built hopes AC will get back to the pre-pandemic level with the help of a successful vaccine rollout. As the year unfolds, it remains to be seen if AC will come out as a winner or loser.

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