



## Should You Buy Air Canada (TSX:AC) in 2021?

### Description

**Air Canada** ([TSX:AC](#)) is one of the most conflicting investment options on the market right now. On one hand, Air Canada has been a stellar investment going back well over a decade. Impressive business decisions by management combined with a renewed pride and enthusiasm for the flag carrier propelled it to new highs. That growth spurt came to a screeching halt when the COVID-19 pandemic began. Now that vaccinations beginning, this raises the question as to whether it is a good time to buy Air Canada now or even in 2021.

Let's try to answer that question.

### Air Canada has problems

The pandemic has effectively muted nearly all demand for air travel. This is especially true for long-haul international routes that provided Air Canada with a good chunk of its revenue.

To illustrate how dire the situation is, let's look at Air Canada's third-quarter results announced back in November.

During that quarter, Air Canada saw the number of passengers drop a whopping 88% due to the pandemic. Overall, the airline reported \$757 million in revenue, reflecting a drop in \$4,773 billion, or 86% over the prior period.

As a result of those weakened numbers, Air Canada reported a negative EBITDA of \$554 million. By way of comparison, in the same quarter last year, Air Canada reported EBITDA of \$1.472 billion. That hardly seems like a reason to buy Air Canada.

Since the pandemic began, Air Canada was forced to eliminate 20,000 jobs and reducing capacity on over 80% of the company's flights. The efforts are part of a long-term mitigation plan that has already raised \$6 billion in liquidity to wait for the long-awaited recovery.

## Air Canada has potential too

There's not much Air Canada can do to get out of its current pandemic-induced predicament. Eventually, vaccines will be administered, travel will resume, and Air Canada will return to its profitable ways.

A recent bump on the stock now has it trading down less than 10% in 2020. Over the trailing three months, Air Canada is up over 40%. That's a phenomenal improvement, and some see this as the beginning of a prolonged recovery.

## Should you buy Air Canada?

Air Canada, like the bulk of the market, remains a risky investment option. Air Canada's long-term success hinges on herd immunity being reached. Only then will markets truly open to travel. Fortunately, vaccinations have begun to be administered on a near-global basis. But [how long will it take](#) to inoculate the entire planet?

The best guess by experts is that we might not be close to that level until at least next fall. As a prospective investor of Air Canada, another [year of volatility](#) hinging on the hope of vaccinations might be a tall order. To put it another way, there's little reason to doubt Air Canada's ability to recover from this crisis. It's just that there are far better investments to make *right now* that will carry considerably less risk. So, hold off on that urge to buy Air Canada, at least for now.

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### Date

2025/07/23

### Date Created

2020/12/29

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