



## Air Canada's (TSX:AC) Day of Reckoning Is Almost Here

### Description

A very important date is coming up for **Air Canada** ([TSX:AC](#)). On this date, the company will be releasing earnings data that will either confirm or deny the claim that the COVID-19 pandemic wrecked the company in 2020. Recently, investors have been bidding up AC stock on the expectation that it will soon recover financially from the pandemic. On the upcoming date, we'll see whether that thesis is credible or not.

So, what is this crucial date, and why is it so important?

### February 12

February 12 is an [extremely important date](#) for Air Canada and its shareholders. On that date, the company will be releasing:

- Fourth-quarter earnings
- Full-year earnings

The company is already expecting to burn through \$1.1 billion and \$1.3 billion in the fourth quarter. If that projection is in line with reality, then the fourth-quarter net loss will likely be massive. Air Canada's cash burn has correlated strongly with net losses this year. So, we likely have a massive fourth-quarter loss coming.

The same will likely be true of full-year losses. Air Canada already lost \$3.4 billion in the first three quarters of last year. If the company's net losses correlate with its expected cash burn, then that loss will grow to between \$4.5 and \$4.7 billion. That's a doozy of a loss for just one year. And, in fact, these losses may persist into 2021.

### Vaccine not a panacea

Many analysts think that the rollout of the COVID-19 vaccine will be a panacea for airline stocks. With

the vaccine getting rolled out, eventually the pandemic will no longer be an issue, and people will start travelling freely again. *Eventually*, that prediction will come true. The vaccine is likely to end the pandemic *at some point*. But keep the following facts in mind:

- As of December 29, only [0.4% of Canadians had received the vaccine](#).
- There is a new, mutated strain of COVID that recently made its way to Canada.
- Many people may remain wary of flying after the pandemic is over, “just to play it safe.”

Given these facts, it's unreasonable to expect that Air Canada will bounce right back in 2021. There are many factors that could delay the vaccine rollout, and as long as vaccination is proceeding slowly, self-isolation orders will remain in place. When you have to self isolate for 14 days after travelling, that reduces your desire to travel. So, Air Canada still has a long road to recovery.

## Will it tank AC stock?

The question investors need to ask themselves is whether bad news on February 12 will tank Air Canada stock.

The answer to that is complicated. In 2020, negative earnings releases from Air Canada were generally correlated with stock price declines. But in the most recent quarter, AC reported a \$685 million loss and proceeded to rally. The reason is that **Pfizer's** vaccine announcement occurred on the same day. When we look at this phenomenon, it appears likely that positive vaccine news could influence Air Canada's stock price more than negative earnings news. But still, all other things the same, bad earnings news on February 12 isn't going to be good for Air Canada's stock.

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