



What Air Canada (TSX:AC) Investors Should Really Do

Description

Air Canada ([TSX:AC](#)) stock has been trading in a narrow range for over a month now. Since October last year, it has soared from \$14 to \$28 on the vaccine developments and is currently trading close to \$22. The immense volatility could keep investors at bay. But would that be giving up on the big upside potential?

Air Canada stock in 2021

[Air Canada](#) has recently been in the news for suspending operations at several routes. It had been operating at minimal capacity since March last year. Its revenues shrank by a terrible 70% year over year in the first three quarters of 2020, driven by stringent travel restrictions.

To add to the woes, the new coronavirus variants are making things all the more uncertain for airline companies. Notably, the flag carrier will likely keep on operating with significantly lower capacity for the next few quarters.

While that's a big potential dent on Air Canada's 2021 revenues, it is still [well capitalized](#) against many global aviation peers. I don't think Canada's biggest airline will go down, as it has one of the strongest liquidity positions. It will likely be able to bear the brunt for the next few quarters, probably until the vaccine reaches a large portion of the global population.

We have not seen any direct federal help for Canada's struggling aviation sector so far. However, if things deteriorate significantly from here amid a prolonged pandemic, then the Trudeau government might have to lend a hand.

Air Canada management has already expressed that it might take three to five years to reach its 2019 profitability levels. Business travel could see a meaningful dip even post-pandemic, which will likely compensate with higher leisure travel to a large extent. Air Canada's cargo operations should also see higher contribution in its consolidated earnings even post-pandemic.

Air Canada in the post-pandemic world

Additionally, I don't see any significant glitches regarding Air Canada's **Transat AT** acquisition. The holiday travel specialist, which is coming at a bargain, could be highly beneficial for the flag carrier once the pandemic ends. We might see AC reaping acquisition benefits as early as this year.

What concerns me the most right now is Air Canada's swelling debt. As per its latest quarterly report, it has almost \$10 billion debt, steeply risen amid the pandemic. Notably, its profitability will be further hampered by higher debt-servicing costs.

How air travel demand plays out once the Canadian government eases travel restrictions will be the most vital indicator for Air Canada and its investors.

Bottom line

If you are a patient, long-term investor, a gradual recovery in Air Canada should reward you. Its strong market position and operational efficiency should fuel a faster recovery compared to Canadian peers in the post-pandemic world. Amid all the uncertainties, I think that the worst is already over for Air Canada. It will show a slower but steadier increase once it ramps up operations.

CATEGORY

1. Investing
2. Stocks for Beginners

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. Investing
2. Stocks for Beginners

Date

2025/08/22

Date Created

2021/01/18

Author
vinitkularni20

default watermark

default watermark