



## Air Canada (TSX:AC) Stock: 3.5 Billion Reasons to Worry

### Description

On Monday, **Air Canada** ([TSX:AC](#)) stock took its first big dip after months of surprisingly decent gains. The stock got ravaged in the first half of 2020 after posting several massive losses, but staged a rally beginning in November, when **Pfizer's** vaccine news was announced. Initially, investors were optimistic about the vaccine rollout turning things around for airlines. But now, with inoculation proceeding at a glacial pace, the vaccine is not looking like the panacea it was once believed to be.

In the meantime, all the reasons that investors were bearish on AC stock last year still apply. Earnings are down, debt levels are up, and passengers aren't coming back anytime soon. All of these are good reasons to think twice before buying AC stock. In this article, I'll be exploring 3.5 billion other "reasons" why this stock could be in for continued turbulence.

### \$3.5 billion in losses

If a dollar is a "reason," then investors have 3.5 billion reasons to worry about AC stock, Air Canada booked \$3.5 billion in losses in the first three quarters of 2020 — With another quarter still left to report!

Here's how it breaks down:

- Q1: \$1.05 billion
- Q2: \$1.75 billion
- Q3: \$685 billion

That brings us to \$3.485 in losses for the first three quarters of the year — a pretty big loss. But what's even bigger is the effect on the company's finances. To cope with all the losing quarters, Air Canada had to issue piles of new debt and equity in 2020. As a result, the company's [financial picture is rapidly deteriorating](#).

### Could that numbers soar even higher?

A \$3.5 billion loss is alarming as it is. But it could go much higher.

Remember: Air Canada still has one quarter left to report for 2020. On February 12, it will be reporting its fourth quarter and full year 2020 earnings. And the early projections aren't looking good. In the third quarter, Air Canada said it expected \$1.1 billion to \$1.3 billion in cash bleed in the fourth. If net losses run close to these projections, then we could be looking at close to \$5 billion in losses for full year 2020. If that happens then AC stock may be in for another dip.

## Foolish takeaway

Air Canada stock was one of the **TSX's** biggest losers in 2020. Even with its late year rally, it declined more than 50%. Investors who were lucky enough to buy in November right before the rally are still up. But they might want to look into taking profits. If the news is bad on February 12, then AC stock could go much lower than it is now.

Before Pfizer's vaccine announcement, it was trading water around \$15. If fourth-quarter results show that the company's fortunes aren't turning around even with the vaccine, then it could go back to that level—possibly lower.

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### Date

2025/09/13

### Date Created

2021/01/26

### Author

andrewbutton

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