



## Air Canada (TSX:AC) Trying Out Rapid COVID-19 Testing: Good News for the Stock?

### Description

Canadian companies are uniting to pilot rapid COVID-19 tests in hopes of reopening workplaces. Beleaguered **Air Canada** ([TSX:AC](#)) is part of the consortium as it hangs by a thread due to the pandemic. University of Toronto's Creative Destruction Lab runs the experimental antigen tests with 12 companies as partners.

Air Canada, **Rogers Communications**, **Suncor Energy** began testing already along with Maple Leaf Sports and Entertainment. The companies that will start testing soon are the **Bank of Nova Scotia**, **Loblaw**, **Magna International**, **Nutrien Ltd**, Shoppers Drug Mart, MDA Corp., and Canada Pension Plan Investments.

The airline stock rose to \$27.34 on December 8, 2020, only to close 20.7% lower to \$21.67 on February 8, 2021. Thus far, the year-to-date loss is 4.83%. The spread of new, more contagious variants of coronavirus forces the government's hand to tighten rules to discourage international travel.

If the rapid COVID-19 tests prove successful, could it lift Air Canada from [economic carnage](#) and propel the stock to rally?

### Flight suspensions and job cuts

Upon the request of the Canadian government, Air Canada Rouge paused its operations on February 8, 2021 until further notice. Because of the government-imposed travel ban to Mexico and the Caribbean, the company temporarily laid off 80 employees. The Trudeau administration has more stringent new restrictions to clamp-down on the new COVID-19 strains.

Nearly five weeks ago, Air Canada made a job-cut announcement. About 1,700 workers lost jobs after the airline reduced its capacity by 25%. According to Air Canada Executive Vice-President Lucie Guillemette, the enhanced travel rules implemented on January 7, 2021 had an immediate impact on bookings.

## Support package or bailout?

Airline companies point to unclear rules and the lack of federal support as reasons for the dramatic reduction in service. **WestJet** CEO Edward Sims blames the government's incoherent policy for its staff and flight cuts. There are discussions about an industry-specific support package. However, nothing is definite as it's contingent on carriers, including Air Canada, to provide refunds to passengers due to flight cancellations.

It's become a chicken and egg situation. Air Canada's Managing Director for Government and Community Relations David Rheault said the company would not issue passenger refunds unless it receives a government bailout. Data from International Air Transport Association (IATA) shows that global airlines received about US\$160 billion in aid from their respective governments.

## Stock in limbo

Air Canada has yet to report its Q4 and full-year 2020 financial results. The \$7.21 billion airline company is [hurting and bleeding](#). Management said net cash burn in Q4 2020 would be between \$1.1 billion and \$1.3 billion, which translates to about \$12 million to \$14 million daily average. It includes \$4 million in capital expenditures and \$5 million in lease and debt service costs daily.

The start of 2021 isn't encouraging for the airline stock that lost 53% in 2020. It might take more than the rapid COVID-19 tests' success for airline stock to recover and fly high again. Only a federal aid package could save the ailing aviation industry. Air Canada and the government must agree on the terms of the sector-specific support first. Also, passenger travel demand might not return to pre-corona levels soon.

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