



## Air Canada (TSX:AC): Warren Buffett and 300 Million Broken Dreams

### Description

**Air Canada (TSX:AC)** will [report its fourth-quarter](#) and full-year 2020 results on Friday. The year 2020 turned out to be disastrous for the airline as the COVID-19 crisis wiped out its years of turnaround efforts within a few months. The largest Canadian airline continued to burn huge piles of cash throughout the year, triggering a massive sell-off in its stock last year as it slipped 53%.

### Air Canada: millions of broken dreams

Currently, Air Canada has over 300 million free float shares traded in the market. When investors put their hard-earned money in a company's shares, they expect a handsome return on their investment. They might not be able to continue supporting a specific business forever — especially if it continues to burn cash for a long time. That's why Air Canada's continuously deteriorating financials could break the dreams of the people who bought its millions of shares to grow their savings.

Undoubtedly, Air Canada showcased an impressive financial turnaround until 2019. And you can't blame it for its huge losses last year as it had no choice except to shut down its operations due to the pandemic. But its future still remains highly uncertain as Canada continues to restrict air travel to many international destinations due to the emergence of new coronavirus variants.

Many small and large airline companies' recovery depends on an expected financial relief package from the government in such a situation. These airlines — including Air Canada — might not be able to bear the huge financial burden for a long time without timely government intervention.

### Why Buffett exited the airline industry

When the global pandemic started spreading in the western world like a wildfire in early 2020, most countries didn't have much choice. Countries like Canada and the United States decided to impose strict restrictions on travel and shutdown nonessential businesses. These restrictions and people's concern about the virus badly hurt the airline business.

That's why Warren Buffett — the world's most-followed billionaire investor — decided to exit the airline industry completely last year. Highlighting the seriousness of the situation, Buffett [told](#) CNBC that "the world has changed for the airlines."

## Will Air Canada's 2021 be better?

To be honest, I really expected Air Canada's financials and its stock to see a good recovery this year until a few months ago. But things are not looking good at the moment. The airline is continuously suspending more and more international operations. In January, it [announced](#) to cut international routes by 25%. In the final week of the month, it had to stop operating flights on another 15 Mexican and Caribbean destinations.

A couple of days ago, Air Canada temporarily suspended more flight operations on 17 more international routes. As a result, it had to temporarily lay off another 1,500 employees.

While these factors would cause more financial damage to Air Canada, the second half of 2021 might be a little better. However, the prolonged pandemic related uncertainties make its financial recovery very difficult to predict. Overall, I expect Air Canada to take a couple of years to come back to profitability.

## Foolish takeaway

What happened to the airline industry last year was completely unpredictable. However, it might not make much sense to remain invested in an industry that you know could continue to face financial troubles for a long time. That's why you may want to invest your savings in other cheap stocks to grow them exponentially in the long-term instead.

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