



## Air Canada Stock: Finally Worth an Investment?

### Description

It's now been roughly a year since the shutdowns and a little over a year since the coronavirus market crash started. Yet some stocks, such as **Air Canada** ([TSX:AC](#)), continue to trade well off their pre-pandemic highs. This is generating a lot of attention from investors, as many hope the stock can return to \$50 a share. While this is promising, and it shows investors are willing to buy value and hold for the long term, Air Canada, unfortunately, may not be the stock to pick.

One of the most common and most important pieces of investing advice is to buy stocks for the long term and to not sell stocks during a market crash. It's repeated so often, because it's one of the most common mistakes investors make.

All the time, me and my fellow Fools warn investors of what to do in a [market crash](#), and every time, our advice consists of looking past the short-term issues to stocks that'll be around for a while.

So, why have several of my fellow Fools, as well as me, warned investors to [avoid Air Canada](#)?

### Why should investors avoid Air Canada stock?

The advice to look to the long term and buy stocks in a market crash holds true in many scenarios, but not all the time.

Investors can't just expect to blindly buy stocks that are trading lower than they have in the past. The underlying business needs to be of high quality. And while Air Canada is a high-quality company, at the moment, it continues to be severely impacted.

Most other businesses have been able to work around the pandemic. Sure, some may still be seeing some impact on revenue and a slight rise in costs. However, there are few companies in the position that Air Canada is. The stock has lost over 85% of its revenue and is burning roughly \$15 million of cash every day.

Investors should avoid Air Canada until it's clear that its business can rebound, and there is a lot more

clarity about the investment.

## When will Air Canada be a buy?

At the moment, investors should avoid Air Canada stock, because there is little upside at the same time, there is still considerable risk.

The uncertainty in the sector is making it extremely difficult to invest. So, investors will be waiting to get more clarity on several issues before considering an investment in Air Canada.

There is still very little concrete information on when Canadians will be vaccinated. There's also very little clarity on what travel restrictions will exist once the majority of Canadians are vaccinated. Furthermore, when will consumers be comfortable with traveling? How will restrictions look if Canada's population is vaccinated, but other developing countries aren't?

These questions are just some of the uncertainty about the industry. Then, of course, there is a tonne of uncertainty about Air Canada stock itself.

When Air Canada does recover, how much debt will it have taken on? How much will it have diluted shareholder value? How much do those increased interest expenses impact profitability?

Without having answers to any of these questions, it's essentially impossible to put an accurate value on Air Canada stock. And when you can't put an accurate value on a stock, buying it is pure speculation.

## Bottom line

As I said before, one of the most common pieces of investing advice tells investors to ignore short-term market volatility and buy high-quality stocks for the long run. However, another major piece of advice suggests investors research potential investments thoroughly.

And it's clear once you go to research Air Canada that there is just too much uncertainty to put an accurate value on it. Not to mention, this impact on Air Canada stock will be far from a short-term impact.

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