



Air Canada (TSX:AC) Stock: Buy it Right Now or Miss Out?

Description

So far, the year 2021 has been good for **Air Canada** ([TSX:AC](#)) stock. Year to date, the stock is up 31%! To compare, the **TSX Index** is only up 7.8% (considering the circumstances in the world, that is pretty good). Is Air Canada stock still a good buy today?

Well, that depends on the type of investor you are. If you are looking to trade stocks and earn some quick in and out gains, then perhaps it is. However, if you are [looking to invest](#) in a solid business, where the stock is supported by strong financial and operational fundamentals, then you may want to take pause.

Air Canada stock: Buy, sell, or hold?

Don't get me wrong; you could probably do a lot worse than Air Canada stock. It is an understandable bet on the post-pandemic recovery. We all are looking forward to getting back to some of those sunny beach destinations or visit relatives across the globe. Yet my biggest concern with Air Canada stock today is that it may never be the 2019 stock that we knew and loved prior to the pandemic.

Can operations return to normal?

Firstly, through the pandemic the company has had to cut thousands of employees as well as cut off many routes and destinations. Given the travel restrictions and inconveniences in place, it could still take months, if not years, for a semblance of normal travel patterns to return. Frankly, there is still no clear path to opening up borders or opening up regular service.

The vaccine deployment has certainly helped Air Canada stock. However, it only takes a new strain of the COVID-19 virus to change all that quickly. Likewise, with many airline employees out of work, one has to wonder if many have permanently shifted careers to other sectors? Will Air Canada be able to maintain and build the culture it had prior to the pandemic?

Technology has replaced some airline demand

Secondly, technologies like **Zoom** and **Microsoft Teams** are nullifying a portion of the essential business travel market. Surely, demand for business travel will recover but perhaps never to the same extent as before COVID-19. Many people have grown comfortable working remotely and operating with people they have never even met in person. That segment of higher margin business travel might never return to the same extent as before.

Balance sheet matters

Thirdly, Air Canada stock is not in the same financial position it was prior to the pandemic. This stock has lost billions of dollars in 2020 (\$3.77 billion to be exact) and 2021 doesn't look much better. To offset its operating losses, it has added more than \$5 billion of new debt and equity to its balance sheet.

Lately people have worried about utility stocks, because bond yields are hitting close to 2%. These stocks are covered by consistent, regulated streams of cash flows. Yet given the state of Air Canada's business, I don't know how you can't be concerned about the effects of rising interest rates on its business. It only operates on a fraction of 2019's revenues, can it continue to sufficiently service its debt if the crisis continues for longer than hoped?

Will Air Canada stock ever be like it was before?

While Air Canada doesn't have the worst balance sheet amongst peers, it is still damaged. My concern is that given all the factors above, it may not be able to achieve the same level of margins or profitability as it had.

Considering some of these factors, my preference is to just stay on the sidelines and wait. I am [a buy-and-hold investor](#), so the business and viability of a stock is everything. Perhaps the recovery trend in the market will support Air Canada's stock and it could keep going up. I guess given some of the risks, I am just not brave enough to test that thesis out — at least not right now.

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