



Air Canada (TSX:AC): A Year-Long Tale of Losses

Description

Relatively few stocks have the unique power to disappoint investors for so long and still keep them on the hook. **Air Canada** ([TSX:AC](#)) is one of those stocks. Every time Air Canada investors think that the stock is finally on its way to concrete recovery and eventual growth, the airline stumbles into a new ditch.

A few weeks ago, the airline received government aid, a mixed blessing because, on the one hand, it provided Air Canada with a much-needed financial boost and liquidity to meet its pressing refund request. And on the other hand, it made the government a major stakeholder in the airline.

Now, the investors are dealing with expected but still staggering losses in the first quarter.

Five consecutive quarters of losses

[The quarter](#) that ended in March 2021 marks Air Canada's fifth consecutive quarter in which it reported significant losses. In the first quarter of 2021, the company reported a net loss of over \$1.3 billion. The net cash burn of \$1.27 billion the company sustains is equal to burning through \$14 million a day.

The loss wasn't unexpected, but the scale of the loss is still staggering. Even though the country in general and air travel haven't resumed back to normal, but people were hoping that Air Canada's situation would still be significantly better than it was in the second or third quarter of 2020.

The financial report revealed several interesting facts like the geographic disturbance in revenues from the first quarter of 2020 to the first quarter of 2021. The airline generated about 25% of the 2020 revenue from Canada in the first quarter of 2021. In stark contrast, revenue from U.S. trans-border travel has been reduced to a mere 3.8% of its last year's levels.

Cargo revenues have grown, most notably in the Atlantic and the Pacific regions, but the overall growth is not nearly enough to even dull the pain the company is feeling from the loss of its air travel business.

The future outlook

Air Canada [urging the government](#) to ease travel restrictions is nothing new, but the company is now more desperate. The CEO has urged the government to remove mandatory hotel quarantine and lift up other restrictions that are stifling international travel, so the air travel can start to revert back to normal levels.

He also said that with vaccination underway, the government should start exploring a more realistic and feasible-for-air travel approach to quarantine and travel restrictions. The government is already looking into a “vaccine passport” program, and if we don’t see another wave in the country resurging, the government might respond to Air Canada’s pleas.

Foolish takeaway

The Air Canada stock barely dipped after the first-quarter results were reported. It might simply be the typical resiliency of the stock or the investors were mentally prepared for another quarter of loss. Either way, the stock might still be worth investing in *if* you believe that it’s still going to reach its pre-pandemic valuation (and relatively soon).

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