



Air Canada (TSX:AC) Reports a Huge \$1.3 Billion Loss

Description

Nothing has changed for **Air Canada** ([TSX:AC](#)) over the last five quarters. Reporting losses quarter after quarter is a familiar refrain. In Q1 2020, the tune was \$1.304 billion in net loss. Canada's flag carrier also reported a net cash burn of \$1.274 billion during the quarter or an average of \$14 million daily. Likewise, the capacity reduction was 82%.

The [airline stock](#) is no longer the high flyer it was once in 2019. Before the coronavirus outbreak, Air Canada enjoyed 27 consecutive quarters of profits. Even the federal government's financial relief in April 2021 wasn't enough to propel the stock. Investors expecting a take-off to new highs should wait. The business outlook remains bleak, and the [chances of a breakout](#) this year are very low.

No clear timeline

There's no definite or clear timeline when the federal government will ease strict restrictions and allow passenger travel. Air Canada is itching to return to a pre-coronavirus normal, but it won't happen anytime soon. During the first-quarter conference, its CEO, Michael Rousseau, asked the Canadian government to remove hotel quarantines.

Rousseau said, "The current mandatory hotel quarantine for arrivals has proven ineffective. It should be eliminated." He added, "The persistence of COVID-19 and its resurgence in Canada weigh heavily on the Canadian airline industry, as reflected in Air Canada's first-quarter results."

Among the country's strict travel regulations are the mandatory three-day hotel stay and 14-day quarantine for international air travelers. The suggestion is to replace the current blanket restrictions with science-based testing and limited quarantine measures where appropriate. The country can reopen and safely ease travel restrictions.

Develop a restart process

Since the vaccination program is ongoing, Air Canada's CEO hopes the country can replicate the U.S.

where travel rebounds sharply, as COVID-19 recedes and restrictions are lifted. The National Airlines Council of Canada (NACC) shares the same sentiment. Mike McNaney, NACC president and CEO, said the U.K. has announced that it will allow travel to and from a select list of countries starting on May 17, 2021.

The industry group wants Canada to follow U.K.'s lead and help bring in a restart plan for the country's airline sector. Travelers from the initial list of destinations don't need to quarantine when they enter the United Kingdom. Also, it will add more countries over time as the public health situation improves.

McNaney sees the critical need to plan for the eventual safe reopening of international travel. The Canadian government must work with the aviation sector to develop a restart process. Besides Air Canada, NACC represents national and international passenger air carriers **Transat AT**, WestJet, and Jazz Aviation LP.

Semi-permanent damage

If you were to go by the International Air Transport Association's (IATA) assessment, you would steer clear of Air Canada for now. IATA warns the coronavirus crisis will result in semi-permanent damage to the airline industry. Furthermore, it will subdue passenger revenues until 2024.

IATA expects the airline industry to incur net losses of US\$47.7 billion in 2021, as COVID-19 continues to inflict pain on the industry. The airline body believes borders may not fully reopen until October 2021. As such, IATA is likely to move its annual meeting from late June to October due to the deepening nature of the health crisis.

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