



## Should You Buy Air Canada (TSX:AC) Stock Today?

### Description

The onset of COVID-19 dealt a hard blow to industries across the economy, and the airline sector took the brunt of the impact. Canada's flag carrier, **Air Canada** ([TSX:AC](#)), fell off a cliff last year when disaster struck in March 2020.

The airline enjoyed 27 consecutive profitable quarters until the pandemic came along to disrupt everything. Since COVID-19 struck, the ongoing travel restrictions have led to four consecutive quarters full of losses for the airline. The airline reported a net loss of over \$1.3 billion for Q1 2021.

Air Canada's cash burn during the quarter was a staggering \$14 million per day, totalling \$1.27 billion. Despite receiving a \$5.9 billion bailout package from the federal government, the airline stock remains in trouble.

Air Canada stock is trading for \$25.53 per share at writing. Let's take a better look to consider whether it is [a stock worth buying right now](#).

### Maintaining adequate liquidity levels

Air Canada has several priorities right now. Maintaining adequate liquidity levels is one of the foremost concerns for the airline's management. The company's management is examining the situation and securing financing arrangements as necessary to recover. The company extended its US\$600 million and \$200 million revolving credit facilities by 12 months to April 2023 and to December 2023, respectively.

While the situation for its Q2 2021 results does not bode better news, management expects its cash burn rate to stay within the range of \$13 million and \$15 million daily, on average. The company's cash burn estimates do not consider the eligible refunds for non-refundable fares that are currently in process.

## Ticket refunds could be a problem

One of the major pain points from the government's bailout package is that Air Canada has to pay customer refunds. Air Canada is allowed to draw payments for the refunds from the bailout package using the \$1.404 billion refunds credit facility.

These refunds will draw funds from the allocated budget in the bailout. It means that such refunds should be cash neutral for Air Canada's liquidity. However, Air Canada's maximum exposure to cash refunds to all qualifying customers who hold non-refundable tickets amounts to \$2 billion – the exact amount is as yet unclear.

Air Canada's management can't say how many of the customers will retain their travel vouchers or request a cash refund for the non-refundable tickets. It is possible that many customers will choose to retain their travel vouchers, but nothing is certain.

## The need to restart travel

Air Canada has a lot of cash right now, but it still stands on an unstable surface. Unless the country's travel and tourism sectors restart soon, Air Canada could continue facing more severe losses in the coming quarters.

The President of the National Airlines Council of Canada (NACC) believes that the government should recognize the importance of a healthy airline sector to the country's economic recovery. He believes that there is no reason for the government to continue stalling a viable restart plan.

## Foolish takeaway

Given the situation with the airline right now, I would not recommend buying Air Canada shares right now. Calin Rovinescu, the former president and CEO of the airline, stated that the recovery would take a long time for Air Canada. He believes that the business will return to pre-pandemic levels by 2023.

If you are looking for an immediate boost on the [short-term horizon](#) for the airline stock, it might not be worth investing in the airline.

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adamothman

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