



Why Air Canada (TSX:AC) Stock Has Fallen 10% in the Last Month

Description

Air Canada ([TSX:AC](#)) stock has slipped by about 10.4% in the last month (since June 9) — underperforming the broader market by a wide margin. The **TSX Composite Index** has traded on a slightly positive note during the same period — posting 1.3% gains. Before we discuss whether it's the right time to buy Air Canada stock, let's take a closer look at some key factors that might have hurt its movement in the last month.

Air Canada stock in 2021

After falling by 53% in 2020, Air Canada stock started 2021 with a good recovery, as it rose by about 15% in the first quarter. However, its stock turned negative again after the company's revenue continued to drop by more than 80% for the fourth consecutive quarter in Q1 this year.

Investors were hoping for the airline company's cash-burn rate to reduce in Q1. However, Air Canada's cash-burn rate worsened on a sequential basis in the first quarter. No big relief in travel restrictions due to rising fears about new COVID variants continued to badly affect its operations. That's one reason why AC stock fell by 2.5% in the second quarter, despite finalizing a financial support deal with the government. While the deal gave Air Canada access to up to \$5.879 billion in liquidity, investors considered some of the deal's pre-conditions largely negative for the company.

Why is it falling lately?

In April, Air Canada agreed to provide refunds for non-refundable fares to many eligible customers in return for receiving the financial package from the Canadian government. According to the airline's data, it had nearly 1.8 million customers who were eligible for a refund. On June 10, Air Canada extended its COVID-19 refund policy application deadline by 30-days — until July 12. Nearly 40% of total eligible customers had already [applied](#) for a refund by June 10. Overall, these refunds are likely to increase the cost burden of the already ailing airline company.

To add to its woes, the U.S. Transportation Department on June 15 filed a legal complaint against Air

Canada for failing to provide timely refunds to thousands of customers from the country. The transportation department's complaint sought to impose a big fine on Air Canada for delaying refunds.

These factors could be some of the key reasons why Air Canada stock has been falling in the last month, despite some recent signs of [improving travel demand](#).

Is it worth buying today?

Air Canada will release its second-quarter results next week on July 23. While several factors have affected its stock for more than a year now, things could start moving in the right direction in the near term. I expect a recent consistent recovery in travel demand to significantly improve the largest Canadian airline's bottom line in the coming quarters.

If its Q2 results or future plans confirm a recent rise in the travel demand, it could boost investors' confidence and drive Air Canada stock higher, I believe. That's why it could be the right time to buy the stock before it starts a sharp long-term rally.

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