



Air Canada (TSX:AC) Stock: Is it Worth Buying?

Description

Air Canada ([TSX:AC](#)) shares have declined by over 18% since June 8, 2021, underperforming the broader market by a significant margin. The battered airline stock has struggled to perform well due to the pandemic-induced travel restrictions diminishing its earnings.

The ongoing vaccination rollout worldwide started to paint a prettier picture for airline companies, as it increased the chances of [air travel demand returning to relative normalcy](#). Canadians interested in picking up shares of [undervalued stocks](#) at a bargain might have been considering Air Canada stock as an ideal pick.

Unfortunately, the broader market is under pressure again, as the fears of the Delta variant of COVID-19 have reintroduced uncertainty in global economies. The already struggling airline sector is in deeper trouble.

Today, I will discuss the impact of the Delta variant on the airline stock and whether it could be worth buying right now.

The Delta variant's impact on the economy

The new variants of the COVID-19 virus have led to cases rising again worldwide. While there is more research needed to be done about the dangerous Delta variant, it is clear that this iteration of the virus is more transmissible than the first one. Additionally, there is a lot of anecdotal evidence that shows might be slightly resistant to many of the existing vaccines in circulation.

The Delta variant has also been observed to be impacting more among the younger population than the Alpha variant. Vaccinated individuals are still likely to catch the disease but are less prone to get hospitalized due to the virus. However, unvaccinated people are more prone to catching the disease and suffering from severe symptoms.

Many countries worldwide are re-entering lockdowns and closing international borders due to the rising Delta variant cases. Closing international borders could prove to be devastating for airline companies

like Air Canada.

Air Canada's continuing woes

As part of its government bailout agreement, Air Canada's management agreed to provide refunds for its non-refundable tickets to customers who qualified for them. With almost two million customers expecting to receive refunds, Air Canada had a tall order to contend with. The cost burden for the airline company dealing with the refunds will be made worse due to the effects of the fourth wave of COVID-19 infections.

The U.S. Transportation Department made matters worse for the airline by filing a complaint against Air Canada on June 15 for not providing timely refunds to thousands of customers in the United States. Air Canada could be facing a significant fine for failing to deliver the refunds, compounding its problems caused by the Delta variant.

Foolish takeaway

At writing, Air Canada is yet to release its second-quarter results for fiscal 2021. Things might have started to look up for the airline sector in recent weeks. However, the rising concerns of a fourth major wave of COVID-19 infections might delay Air Canada's chances of a reasonable recovery.

Any positive developments reported in the Q2 results might have boosted investor confidence in Air Canada stock and driven it higher. However, the airline stock may decline again before it has a chance to get [meaningful and long-lasting gains](#) on the stock market.

I would suggest keeping a close eye on Air Canada stock but holding off on buying up shares in anticipation of a sudden surge.

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