# Air Canada: Should You Bet Against Short-Sellers?

**Description**

The airline industry came into 2021 with some optimism after one of the most brutal years in the history of commercial aviation. **Air Canada** (TSX:AC), the top airliner in the country, suffered steep losses. This came after the airline had put together record earnings to close out the previous decade. Today, I want to discuss the trend of short-sellers targeting Canada's top airline stock in late September. Should this drive investors away? Let's dive in.



## Why short-sellers have targeted Air Canada

Short interest has been driven up on the TSX, as Canadian stocks have continued to build momentum into the final months of 2021. However, some equities are attracting more interest than others. Last week, 26.8% of Air Canada's float sold short. This put the stock on the head of the top 20 most shorted companies, according to data from S3 Partners.

The recovery for the commercial aviation industry has been slow going in the face of the COVID-19 pandemic. Canada has caught up and surpassed many of its peers with its vaccination rates. Still, experts have warned of the risks that a fourth wave poses. Nearly a year ago, this was a sticking point for Canada's top airline. Unfortunately, the pandemic and its knock-on effects may hinder Air Canada and its peers for years to come.

## How does the airline industry look right now?

In July, I'd discussed some of the positives for the airline industry going forward. Travel demand had picked up as more citizens were vaccinated. However, the travel experience has become increasingly unpleasant due to enhanced rules and restrictions. Moreover, vaccination rules and restrictions vary from country to country. For example, currently, the United States does not recognize people with specific vaccine mixes as being fully vaccinated. However, mixed doses of the two mRNA vaccines, **Pfizer** and **Moderna**, are acceptable in "exceptional situations" according to the CDC.

Air Canada released its second-quarter 2021 results on July 23. Operating revenues rose 59% from the previous year to $837 million. Meanwhile, it posted negative EBITDA of $656 million — an improvement from negative EBITDA of $832 million in the second quarter of 2020.

Overall, the most recent quarter showed that conditions were improving at Air Canada. The airline still has a long way to go to approach the record results it was stringing together in the final months of 2019. Its cash burn improved nicely in its most recent quarter. The jump in travel demand will go a long way in driving Canada's top airline back to form.

## Should you buy or stay away from Air Canada stock?

Shares of Air Canada are trading in the middle of its 52-week range. The stock has attracted major interest from short-sellers, but this should not scare away investors. This stock is trading in favourable territory relative to its industry peers. Air Canada remains the big dog in Canadian commercial aviation. It is still on track for strong growth for the long haul. I'm still looking to scoop this stock up in late September.

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