



## Should You Avoid Air Canada Today?

### Description

If you live in Canada, you'll most likely have heard of **Air Canada** ([TSX:AC](#)). This company is the largest airliner in Canada. With nearly 200 destinations, Air Canada's size dwarfs even its next largest Canadian competitor. As a result of this dominance, many Canadians believe that Air Canada should have no problem recovering once the COVID-19 pandemic is a thing of the past. However, it's once again becoming unclear exactly when that will happen.

Over the past couple weeks, news of a new COVID-19 variant (Omicron) has pumped a lot of uncertainty back into the market. Governments are already starting to enforce travel restrictions, which could affect airliners in the short and long term. In Canada, foreign travelers from certain African countries have [been barred entry](#) since November 26. It's likely that more countries could end up being added to this restriction list in the near future.

### Should investors buy the dip?

After a rally of nearly 20% at the beginning of November, Air Canada stock has been in a free fall. Further news of the Omicron variant may cause this stock to drop even further. Over the past month, Air Canada stock has dropped more than 20%. This not only negates its recent rally but also puts Air Canada further into the red than it was at the start of that rally. Looking further back, Air Canada stock still trades about 60% lower than its price at the start of 2020, before the pandemic. Is this an opportunity that investors should take advantage of?

I would say no. This isn't a time to pick up Air Canada shares. Airline companies operate under slim margins at the best of times, and this is far from it. It should be noted that Air Canada's losses *have* become much more tolerable this year, in comparison to the company's performance in 2020. For example, in Q3 2020, Air Canada reported an operating loss of \$785 million. This year, the company reported only \$364 million in losses over Q3. This indicates that the company has indeed started to recover, but all of that progress might have been for naught.

As of its latest earnings report, Air Canada has \$5.2 billion in cash and cash equivalents on its balance

sheet. This puts the company in a good position to survive for a while, assuming its losses don't start piling up like they did last year. However, if I had to choose between a company that hopes to survive or a company that has [a chance at thriving](#), I'd stick with the latter.

## What should investors look out for?

If Air Canada is still a company you believe in, it would be a good idea to keep tabs on the development surrounding the Omicron variant. There's a lot that remains unknown about this variant. If it proves to be less of a risk than previous variants, there's a chance travel bans could be lifted sooner than we think. In that case, Air Canada shouldn't see a major turn for the worst.

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