



Could Air Canada (TSX:AC) Stock Lose 99% of its Value?

Description

Air Canada ([TSX:AC](#)) stock has seen a precipitous decline from its 2020 highs. On January 17, 2020, AC stock traded for \$51. Today, it's worth just \$21 — a 58% decline from the peak. It has been a painful experience for shareholders. And it could get worse. As I wrote in a recent article, a trip back to the 2020 lows would take AC stock 46% lower than Monday's price. I believe that such a scenario could easily take place. I do not see it as likely, but if you throw Omicron lockdowns on top of broader market volatility, it's a possibility.

A more interesting question is whether Air Canada stock could lose 99% of its value. It's not unheard of for stocks to experience declines that severe. It's extremely rare, but it has happened. Consider **Baytex Energy**, for example, which fell more than 99% from its peak price in 2012 to the bottom in 2020. That's just one example of a stock that shed 99% of its value. There have been others. In this article, I will explore the possibility of Air Canada experiencing a 99% decline in its stock price, ultimately concluding that it probably won't happen (but easily could).

How low AC stock has gone in the recent past

To look at how low Air Canada stock could go, we need to look at how low it went the last time it faced issues as severe as the ones it's facing now. A good place to look would be 2009. That year, the company received a government bailout, as it was on the verge of its second bankruptcy in a decade. For [the full year 2009](#), AC delivered

- \$9.7 billion in revenue, down about 10%;
- A \$39 million operating loss; and
- A \$24 million net loss.

Those are pretty rough metrics. And they resulted in AC hitting a 2009 low of \$0.80. If AC stock were to fall from the price at the time of this writing to \$0.80, that would be a 96% decline — not quite 99%, but very close.

Could it go that low again?

It's one thing to note that Air Canada has gone to \$0.80 before, but quite another to say it will happen again. While Air Canada's most recent quarterly losses were far greater than those seen in full-year 2009, the company also does a lot more revenue these days. Or at least it was doing a lot more revenue back in 2019.

The COVID-19 pandemic [caused AC's sales to fall 70%](#), and they still haven't fully recovered. They should be able to get back to 2019 levels once the pandemic is over. But nobody knows when that's going to happen. In 2020, AC forecast that it would take three full years to get back to 2019 revenue levels. That was a year and a half ago. So, we may still have a ways to go yet before Air Canada can turn a profit.

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