



Another Air Canada (TSX:AC) Disruption

Description

Are you travelling during the holiday season? If you or someone you know will be travelling, their schedule may have been altered. **Air Canada** ([TSX:AC](#)) was already struggling to cope with the ongoing pandemic. Then the airline cancelled hundreds of flights over the holiday week. Another Air Canada disruption [could be risky](#) and spell trouble for investors.

What is going on?

Last week Air Canada cancelled over 170 of its regularly scheduled flights, that amounts to about 4% of its flights. That surge was attributed to bad weather, particularly in the western provinces. While unfortunate, it's better than the alternative that many thought it would be — a surge in COVID-19 cases. That would lead to a major Air Canada disruption.

The more-transmissible Omicron variant is steadily making its way around the world, including in Canada. The expected surge from Omicron isn't likely to hit until after the holiday travel season has ended. South of the border, however, the effects of Omicron are already visible.

Several large airlines in the U.S. have already collectively cancelled thousands of flights. Those cancellations were attributed primarily to Omicron's impact on flight crews. A similar wave of cancellations has hit Europe and Asia as well.

In short, while it was the weather that grounded Air Canada flights *this* time, a COVID-induced spike could do the same over the next few weeks. That's the type of disruption the market could do without right now.

The problems keep piling on

This is just the latest in a long line of Air Canada disruptions that have plagued the entire airline industry. Seasoned investors may recall that months before the pandemic grounded air travel, a global grounding of the 737-MAX jet caused a similar disruption.

In the case of Air Canada, the airline operates the troubled jet and was forced to ground its 24, 737 Max 8 jets. Fortunately, the 737 Max resumed flying earlier this year.

Both the pandemic and the 737 Max ultimately lead to the same ending — a steep cut in the airline's much-needed revenue stream.

Throw in the rapid growth of fuel over the past year, and you have a storm that the airline needs to navigate through. By some estimates, it may take years for Air Canada to recover from its current slide.

By way of comparison, the airline's stock price is still down well over 50% since the pandemic started. Over the trailing 12-month period, Air Canada is down just over 5%.

Air Canada disruption: Your thoughts?

Here's the thing with Air Canada. The airline is very well managed. That management navigated through other storms before. Air Canada will weather this storm as well and emerge stronger.

The signs are already there. In the most recent quarter, the airline saw revenue hit \$2.103 billion, reflecting nearly triple the revenue the airline recorded at the height of the pandemic in 2020.

The real question is when will Air Canada will recoup those losses, and return to its history of posting record-breaking quarters. Given the fact that the pandemic is still with us, and that pockets of international travel still remain closed, that recovery is still far out.

Unless you are already invested in Air Canada, and looking at a very long-term investment timeline, there are far better options to consider investing in at this juncture. Even better, some of those options can [provide a juicy dividend](#) income as well.

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Author

dafxentiou

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