



## Air Canada Stock: Flight Delays Could Hurt its Financial Recovery

### Description

**Air Canada** ([TSX:AC](#)) is continuing to face challenges lately, as many Canadian airports are witnessing big chaos due to flight delays, cancellations, and missing baggage. For many days in July, the Canadian flag carrier was among the worst-hit airline companies by the ongoing flight delay issues, according to the daily [data](#) compiled by *flightaware.com*. Despite Air Canada management's earlier claims of having more than enough staff to handle higher summer air travel demand, its troubles apparently continue to mount.

In this article, I'll explain why these flight delay issues could lengthen Air Canada stock's struggle by hurting its post-pandemic financial recovery.

### Air Canada stock's struggle

The [airline industry](#) took a big hit after the World Health Organisation declared COVID-19 a global pandemic in March 2020, which forced many countries — including Canada — to impose shutdowns and restrictions on physical activity. This was one of the key reasons why Air Canada's total revenue tanked by about 70% to \$5.8 billion in 2020 from over \$19 billion in the previous year. As a result, the company burnt \$4.2 billion of cash in 2020, leading to a 53% value erosion in AC stock.

While Air Canada stock investors were hoping for a better 2021, the emergence of new COVID variants forced authorities to extend restrictions on air travel. Amid these restrictions, Air Canada's revenue rose to \$6.4 billion in 2021 — significantly lower compared to \$19.1 billion in 2019. With this, its adjusted net losses for the year narrowed on a year-over-year basis to around \$3.4 billion.

### Flights delays could hurt its financial recovery

In the first quarter of 2022, the largest Canadian passenger airline firm has already burnt \$900 million of cash. Investors were hoping for a strong summer travel demand and easing travel restrictions to drive a sharp recovery in Air Canada's financials in the coming quarters, which had the potential to trigger a rally in its stock.

Contrary to these expectations, AC stock has tanked by nearly 28% in the last 30 days. While air travel demand has certainly gone up this summer, emerging chaotic situations at airports could be problematic. I expect this issue to postpone its post-pandemic financial recovery further, as air passengers facing chaos at the airports could claim compensation not only for long flight delays and cancellations but also for missing or delayed baggage.

## What's next for Air Canada's stock price?

Air Canada's stock price currently hovers at \$15.95 per share with 24.5% year-to-date losses. In one of my recent articles, I'd highlighted how the airline company had to make some big adjustments to its summer 2022 schedule — possibly to avoid flight delays amid emerging staff shortage concerns. While it reduced flight frequencies or temporarily suspended its flights on many routes, these steps seemingly didn't help much.

Given all these negative factors, conservative investors may want to avoid buying Air Canada stock for now, as the possibility of it approaching lower levels in the near term can't be denied completely. Instead of waiting for its recovery, I'd recommend long-term investors take advantage of the ongoing stock market selloff to buy some other fundamentally strong, [high-growth stocks](#) at a big bargain right now.

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