



Warren Buffett Is Selling His Airline Stocks, Should You Sell Too?

Description

Last weekend marked the first time a **Berkshire Hathaway** annual meeting was held virtually. Warren Buffett presenting PowerPoint slides over a Zoom video call was not the biggest scoop from the event, though.

Perhaps the biggest announcement from the annual meeting was the sale of the company's positions in four major American airlines. Buffett explained how he believed the airline industry is several years away from returning to pre-COVID-19 business levels.

Buffett not only believes the airline industry will be suffering for the next couple of years, but, more importantly, he believes that airlines will return to a new normal once we're past this pandemic.

He explained that the airline industry has "changed in a very major way."

Buffett may have sold his entire position in four major airlines, but it doesn't mean he doesn't believe in the airline industry like he once did. The Oracle of Omaha praised the management of the four airlines he previously owned shares in.

Berkshire Hathaway believed the opportunity cost in holding those airline shares was too great. The company instead chose to increase the company's cash levels for future investments.

What that cash will be used for is anybody's guess at this point, as Buffett mentioned during the call that he has "not done anything because we haven't seen anything that attractive."

Should investors stay away from airline stocks?

The airline industry is in rough shape, to say the least, but it doesn't mean there is only room for a bear case here. For the young investor that has plenty of time on their side, **Air Canada** ([TSX:AC](#)) [has the potential to be a multi-bagger](#) if purchased at these incredibly low levels.

The \$5 billion market cap airline has had a tremendous run over the past decade. After the financial

crisis, the stock price dropped to the \$1 range and then managed to run up to \$50 by December of 2019. The stock has since lost most of those gains made over the past decade due to the COVID-19 pandemic.

A 4,000% gain over the next decade might be a stretch for the Canadian airline, but this stock has shown resiliency before to battle back from record-low prices.

Consolidation in the airline industry

Air Canada is the market share leader in Canada today, with WestJet sitting in the second position. At pre-COVID-19 levels, the two market leaders owned roughly 70% of the entire industry's business.

With billions in cash on the sideline, Air Canada is in decent shape to make it through this economic downturn. Access to a significantly sized war chest is not a luxury that all Canadian airlines can benefit from. Air Canada might not be looking to make an acquisition in the near term, but the pandemic may force smaller competitors to shut down completely, offering up market share to Air Canada.

Foolish bottom line

Just because the legendary Warren Buffett has sold his entire positions in airline stocks, doesn't mean you need to do the same.

Air Canada presents a very opportunistic investment for young Canadian investors that have time on their side. We've seen Air Canada drop to record lows before, and they were able to rebound extremely well.

The Canadian airline is in decent enough shape today in terms of liquidity, which will help the airline not only survive this pandemic but come out of it stronger than its competitors.

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