



Will This Stock Be the Big Winner in the WestJet (TSX:WJA) Deal?

Description

Last week, we learned that **WestJet Airlines** shareholders had overwhelming support for a deal from **Onex** that would take the company private. With 92.5% of shareholders voting in favour of the proposed takeover, it clears a big hurdle for WestJet and Onex. We first learned of the deal back in May, however, there are still some approvals and conditions that need to be satisfied before it can be closed.

One stock that could be the biggest beneficiary as a result of the move is none other than WestJet's [biggest rival](#), **Air Canada (TSX:AC)** (TSX:AC.B). Since May, Air Canada's stock has risen around 40%, and part of that has had to do with the news that the company was looking to acquire Air Transat. The stock was already doing well over the past 12 months, as it has nearly doubled in value.

More traffic along with a contained and low price of oil have helped the airline produce some strong results in recent years. And there's little reason to see that changing anytime soon with the economy still doing very well. Tomorrow, the company is expected to release its second-quarter results, which could show even further growth.

Air Canada stock is coming off a new 52-week high, and what's remarkable is that despite its strong stock performance over the past year, it's still trading at only 18 times earnings and less than four times its book value. The stock is still a good buy and it could continue to rise, especially if the company releases strong results on Tuesday.

Why airline stocks are important for diversification

One of the big reasons that a stock like Air Canada could benefit from WestJet going private is the need for investors to diversify their portfolios. While investors could certainly go the ETF route, there are many that still prefer to hold individual stocks. And that's where having fewer airline stocks to choose from may help drive up the value for Air Canada.

Given that oil prices have looked to have stabilized and don't appear to be increasing, an airline stock could be a very attractive buy, since fuel costs play a significant role in how strong its bottom line looks.

And investing in a stock like Air Canada is a good way to hedge an investment in an oil and gas stock, which could be impacted [positively](#) by a rising commodity price.

With WestJet looking like it may not be an option for much longer for investors, Air Canada effectively becomes the default choice for investors and fund managers seeking some diversification in the industry. And that buying activity could help the stock reach new heights and higher valuations. While there are other options for investors besides just WestJet and Air Canada, these are two of the largest and safest stocks to buy.

Bottom line

Air Canada has been undervalued for a while now, but that might not be the case for much longer. With Transat looking like it will be acquired and WestJet going private, Air Canada could prove to be a hot buy today.

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