



Forget Air Canada (TSX:AC)! This Airline Has a Higher Growth Trajectory

Description

Air Canada ([TSX:AC](#)) has been on the radar for value investors who want to hedge on the contrarian bet for its rise to soaring heights once the situation improves. The battered airline stock might be an excellent recovery bet, but it is not the only airline sector stock that you can consider investing in for a [high growth trajectory](#).

I will discuss another airline stock that you should keep a closer eye on for its potential to provide you with massive returns if and when it recovers.

A battered airline

Transat A.T. (TSX:TRZ) reported a devastating 98% decline in its revenues over the last two quarters compared to the same period in 2019. It is no surprise that the airline has lost close to \$500 million this year, and it is not over yet. With so many financial challenges, it might seem surprising that I am mentioning the airline stock as a better recovery bet than Air Canada.

However, Air Canada might be why Transat could experience a recovery that could make it a better bet than the flag-carrying airline. Transat and Air Canada are in the middle of a deal that could save the airline that was seemingly fated to oblivion. The deal is still in the works, and regulators are in control of the situation right now.

The competition commission stated that Air Canada's Transat acquisition could ruin competition, but Transat is confident that the deal will come through early next year.

A win-win deal with Air Canada

Air Canada and Transat both stand to win from the success of this deal. Air Canada is the country's largest passenger airline. Transat has a decent fleet that could add to Air Canada's existing fleet, expanding the opportunities for both companies. The flag carrier will likely see immense profits from the deal.

As travel restrictions ease, the low-cost investment could prove beneficial for Air Canada. Transat stands to benefit from the deal, because it will allow the battered airline much-needed resuscitation.

Transat is trading for \$5.79 per share at writing. It is down almost 64% on a year-to-date basis. Air Canada has not had an easy year itself. The airline is trading for a 52% discount on a year-to-date basis. However, the deal could spell fantastic news for both airlines.

Air Canada might also get a government bailout for all its financial troubles. Air Canada and Transat have plenty to gain between the deal, a government bailout, and easing travel restrictions.

Foolish takeaway

With [positive developments on the vaccine front](#), there is a chance that we can see a level of relative normalcy return. Air Canada might take some time to recover to pre-pandemic levels. However, a successful deal with Transat could provide more substantial returns for investors holding Transat stock.

If you want to bet on the recovery of the airline industry, Transat could turn out to be a better investment than Air Canada in terms of growth. It is a risky investment, and the recovery is not guaranteed. However, Transat could benefit a lot in the coming months due to this deal. Investors holding onto it could become much wealthier through its capital gains.

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