



Air Canada (TSX:AC) and Transat (TSX:TRZ): Will This Marriage Go Through?

Description

It wouldn't be wrong to say that 2020 was not **Air Canada's** ([TSX:AC](#)) year. From being one of the most coveted growth stocks in the country to one of the worst sufferers of the pandemic, the journey has been more than just difficult for the country's premier airline. It had to lay off thousands of people and ground several airplanes just to mitigate the financial blow it was dealt when the demand trickled down to almost nothingness.

And that's apart from the routes it had to cut inside the country. [Air Canada investors](#) had high hopes for vaccine and 2021, but the new strains it had brought made things worse for the company. It had to cancel several of its international routes, which will potentially drive the operational revenue even lower.

These and probably a myriad of other reasons caused Air Canada to miss the Feb. 15th deadline to acquire **Transat** (TSX:TRZ).

A union doomed to fail?

Air Canada negotiated the acquisition price down last year when it was clear that both the airline sector in general and Air Canada might have to go through a tough couple of years. And even though Transat agreed to the lower price as well, Air Canada didn't go through the deal as it planned to on Feb. 15. Now, both companies have a chance to walk away from the deal.

Transat disclosed that Air Canada is not planning to negotiate the extension on the date. It might indicate that the company has given up on the acquisition. This happened when the government had already given the go-ahead on this deal.

Both companies were and still are waiting on the European Commission's approval on this deal, as the commission believes this deal would favour Air Canada more and solidify its dominance in the Canadian airline industry, effectively disrupting the competitive landscape of the market.

The government approval didn't come cheap. It had a lot of stipulations attached to it, including the number of jobs [Air Canada](#) would have to open in the leisure business of the merged company.

Interested entities

Now that Air Canada has lost its window and Transat has the option to merge with someone else, there are a few interested parties it might go to. **Quebecor's** CEO made a bid last year to buy the company. **Onex** is another entity that might be interested in Transat if Air Canada backs out of the deal.

While it might be difficult to say this with certainty, but if the condition of the airline industry keeps deteriorating at the current pace, whoever buys Transat might get it an even lower price than Air Canada agreed upon (\$5 per share).

Foolish takeaway

Transat stock has been flat-lining for a while now, and it can go one of two ways from here. If a company agrees to pay the price Air Canada bid or a bit more to acquire Transat, it might go slightly up, but not a lot. The airline sector is far too disturbed right now for the stock of either airline to rise too much due to temporary optimism.

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