



Air Canada (TSX:AC) Stock: Bailout Is Coming — But With a Big Catch

Description

Air Canada ([TSX:AC](#)) stock fell by nearly 5% Friday morning — extending its 1.7% losses from the previous session. This came after the stock consistently rallied for the first three days of the month. The broader market pullback could be one reason for its recent weakness. The **S&P/TSX Composite Index** lost 1.1% on Thursday and fell by another 0.6% this morning.

Cost-saving efforts

The airline's recent cost-saving effort — by making Jazz Aviation the exclusive operator of its regional services — acted as a [catalyst for the stock](#) earlier this week. With this move, Air Canada expects to save about \$400 million in the next 15 years. Investors' high expectations from a big government financial support package for the aviation industry kept Air Canada stock soaring in February.

Let's take a closer look at some key recent updates about the bailout package for the aviation industry and find out whether it be enough to keep investors' confidence high.

Latest updates on Air Canada bailout

In the year 2020, the Canadian airline companies had to cancel or postpone thousands of flights due to the COVID-19 pandemic. These cancellations and postponements affected millions of customers. Now, Air Canada is willing to provide refunds to such affected customers, [claimed](#) the Unifor president Jerry Dias in a recent interview with *Toronto Star*. On the positive side, he indicated that the bailout talks between the government and the aviation industry are in the final stage. Dias added that “the precondition for receiving a federal aid package is that Air Canada and the other airlines will have to repay customers. I know that Air Canada has absolutely agreed to do that.”

The claim of Air Canada agreeing to offer refunds to affected customers is not very hard to believe, as it's currently desperate to get the government financial support as soon as possible. The largest Canadian airline has been burning cash for the last four quarters, and it's expected to continue reporting losses in the next few quarters as well. That's why government aid could play an important

role in letting it stabilize in these difficult times. To reach an agreement with the government for a bailout package, however, the airline might have to agree to multiple such preconditions.

Air Canada stock

Overall, a big government bailout package is seemingly coming soon for Air Canada — but with a big catch. All the conditions that the government put forward to approve a big financial support package might not favour the airline companies. Some of these conditions — if not all — might increase airlines' costs burden further.

Such additional costs — at a time when air travel demand is already extremely low — could take a big toll on Air Canada's financials and its stock in the coming quarters.

Foolish takeaway

I think it would be wise for investors to pay close attention to the details of the government's preconditions for a bailout before taking any investment decision.

In my opinion, the ongoing market correction is offering much better opportunities to buy some great growth stocks cheaper that could yield far better returns than Air Canada stock. That's why I wouldn't want to buy its stock at the moment and invest my money in some growth good growth stocks instead.

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