



## Air Canada (TSX:AC) Stock: Bailout Delayed Is Bailout Denied

### Description

**Air Canada** ([TSX:AC](#)) stock is continuing to rally for the second consecutive month. The stock rose by 4.1% on Wednesday after ending the previous session with a 1.3% loss. With this, it has risen already by 14.3% on a month-to-date basis — after rallying by 25.4% in February. Investors' big hopes from an expected government financial support package for the aviation industry have driven most of the recent gains in Air Canada stock. Let's take a closer look at some recent updates about the Air Canada bailout and how it could affect its stock price momentum in the coming weeks.

### Air Canada bailout: Latest updates

Last week, I'd updated investors [with my article](#) about some latest key developments regarding Air Canada's bailout package talks with the government. In a recent interview with *Toronto Star*, the Canadian trade union Unifor president Jerry Dias [claimed](#) that the government might very soon announce a relief package for the ailing aviation industry.

However, the government wants the airlines to accept certain preconditions before receiving any financial support, he added. One of these preconditions is that the Canadian airline companies will have to offer refunds to customers whose flights were canceled or postponed due to COVID-19 related restrictions. Dias confirmed "that Air Canada has absolutely agreed" to do so. If these claims are true, they clearly showcase the desperation of the largest Canadian airline to receive a government bailout package.

### Will bailout be all positive?

According to the report, the government also wants "the airlines to restore vital flight routes and improve their financial transparency." Some of these government demands — like offering refunds to affected customers — are likely to increase the financial burden of already suffering airline companies. Similarly, if Air Canada restores more domestic flight routes — that it suspended in the recent months to reduce costs — it will also hit its financials in the coming quarters.

But the airline companies — including Air Canada — don't seem to have many choices at the moment. They immediately need a big bailout package to survive and to be on the path of expected recovery.

## Bailout delayed is bailout denied

This all reminds me of the popular legal maxim “justice delayed is justice denied.” A variation of this maxim, “bailout delayed is bailout denied,” would be perfect for explaining the airline industry’s current condition. Because if the government financial aid is not big enough or comes too late, it might not mean much for airline companies.

Air Canada is continuing to burn big piles of cash each day. Further delays in the expected government aid package could lengthen the time it takes for it to be on the path of recovery going forward.

## Air Canada stock

Air Canada stock has already staged a massive recovery since the end of January due to bailout package expectations. If the actual government aid is not big enough to meet investors’ expectations, its stock also might not sustain these recent gains. That’s why I continue to call Air Canada stock extremely risky at the moment. I wouldn’t want to buy it, unless we see a big jump in air travel demand in the coming months.

## Foolish takeaway

The **TSX Composite Index** is continuing to set new record highs for the last three consecutive days. To truly take advantage of the ongoing stock market rally, I would prefer to buy some other cheap, high-growth stocks instead. Such growth stocks could yield far better returns than Air Canada stock — with much lower risk — in the long term.

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