



Is Air Canada (TSX:AC) Stock Racing to Its All-Time High?

Description

Air Canada ([TSX:AC](#)) stock, one of the notable laggards of last year, have shown extremely encouraging movement so far in 2021. It hit a 52-week high of \$30 yesterday, soaring more than 50% since late January. The flag carrier stock fell below \$10 levels last March amid the pandemic. Thus, the recent uptrend must have been a big relief for Air Canada investors.

Air Canada and government bailout package

The reason behind the recent surge is mainly optimism regarding the long-awaited bailout package for airlines. Canadian airlines have been seeking sector-specific federal aid for long. That could finally come to fruition soon. Against the bailout, the government is asking airlines to refund customers for the flights that were cancelled or delayed amid the COVID-19.

Although that would rather increase the financial burden on Canadian airlines, a generous bailout package could help the companies sustain longer in the crisis. Along with refunds, the government may ask airline companies for no more job cuts or route suspensions.

Notably, [Air Canada stock](#) is still trading lower than its all-time high of \$52 in January last year. While it is still too soon to tell, a robust bailout package could help Air Canada stock reach those levels. Besides, sooner air travel demand recovery amid faster vaccinations should also drive Canadian airlines in the short term.

What's next for AC stock?

At the same time, Air Canada stock could see a pullback if the bailout package comes late or disappoints in size. Canadian airlines have been burning cash at a fast clip as their fleet is grounded since last March. Moreover, Canada's stringent restrictions have made all the more difficult for them to restart operations.

Air Canada reported a massive 70% drop in revenues last year against 2019, resulting in a \$4.6 billion

loss against a profit of \$1.5 billion in the year earlier. Slower vaccinations indicate continued loss and cash burn in Q1 2021. That's why federal aid will likely play a vital role in improving the flag carrier's recovery prospects.

Air Canada's **Transat A.T.** (TSX:TRZ) deal is still in the doldrums as the deadline to complete it passed last month. The deal also awaits clearance from the European Commission, putting Transat in an extremely vulnerable position. The company [reported](#) a mammoth 93% drop in revenues and a \$109 million loss in Q1 2021.

Air Canada deal could still be a savior for the struggling holiday travel operator Transat. If the deal falls apart, it may have to raise new capital from multiple sources. Transat shares have lost more than 50% in the last 12 months.

Bottom line

Air Canada is already stronger among global peers on the balance sheet front. A sizeable government bailout package could make it even more durable. A slower-but-stable air travel demand recovery could lift its top line in the second half of 2021. While it's too soon to tell whether the stock will breach \$50 levels, Air Canada stock remains an appealing play for the post-pandemic recovery.

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