



## Air Canada (TSX:AC) Stock: Finally Ready for Takeoff?

### Description

Is **Air Canada** ([TSX:AC](#)) out of the hangar, back on the runway, and preparing for takeoff? Since news broke out on the airline industry's impending federal bailout, the [airline stock](#) is on an upward trajectory.

As of March 12, 2021, the share price has risen close to \$30 (+30.5%) from \$22.77 at the start of the year. Excitement is building around Air Canada once more, because [recovery](#) is on the horizon. But it remains to be seen whether the company can finally spread its wings after a prolonged interruption of operations.

### The precondition to financial assistance

Canada's Finance Ministry confirmed that parties are in discussions on potential additional financial assistance. A statement from the Finance Ministry reads, "We remain committed to supporting airlines and air sector workers during this unprecedented and difficult time for the industry."

The government side laid down conditions, the priority of which is the payment of ticket refunds to customers for cancelled flights in relation to COVID-19. Airlines must retain and reinstate regional routes in the country and protect jobs across the air sector. Thus far, Air Canada finds the ongoing talks encouraging and constructive.

If talks succeed, management will take into account the government's policy considerations. Air Canada's press release said, "While discussions are advancing, there can be no assurance that such discussions will lead to the completion of definitive agreements with the Government of Canada on sector financial support on terms acceptable to Air Canada."

### Loan, not a bailout

Unifor president, Jerry Dias, said in early March that Canada's dominant carrier has agreed to refund customers. However, the union president adds the absolute agreement of Air Canada was in exchange for a loan, not a bailout.

Dias told *Global News* then that the loan package that Air Canada seeks is \$7 billion, payable in 10 years and at an annual rate of 1%. But since a considerable period has lapsed, the amount could be the floor, not the ceiling. Dias hopes the solution comes quickly, although he describes the negotiations as contentious and difficult.

Catherine McKenna, minister of Infrastructure and Communities, said talks are progressing. She reiterated that airlines offering passengers refunds for cancelled flights is a precondition for a bailout. It's extremely important, according to McKenna. Deputy Finance Minister Michael Sabia leads the federal government's negotiating team.

On the part of WestJet, its CEO Ed Sims said airlines want a recovery plan for the industry, not a bailout. He wrote to senators and MPs, "We are not seeking a policy that strictly supports our bottom line and, frankly, that is not what the nation needs."

Restarting the sector is also Air Canada's priority. Perrin Beatty, president and CEO of the Canadian Chamber of Commerce, said the short-term bailout package must come with a strategy to re-open the air travel sector.

## Falling behind

According to Goldy Hyder, president of the Business Council of Canada, Canadian airlines are falling behind. Since the financial assistance or bailout is late, Air Canada could lose its competitiveness. Meanwhile, market analysts see the airline stock as a potential growth stock and a top pick in 2021. I think it's still investing at your own risk for now.

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