



Today's Top Buy: Air Canada Stock

Description

Investors appear to be enamored by the growth prospects of **Air Canada** ([TSX:AC](#)) stock today. Indeed, Air Canada stock is one that is now hovering around its 52-week highs. Shares of Air Canada breached \$30 per share recently amid increased investor interest in reopening plays.

Indeed, for quite some time now, Air Canada has been one of my [top picks](#) as a turnaround play. After an incredible performance, investors might be enticed to book profits. However, I believe they may want to reconsider their thesis on this stock and hold their position.

Here's why.

Plenty more upside for Air Canada stock

Right now, Air Canada shares have a lot of momentum as it appears that a bailout loan is on the horizon. Unifor's national president, Jerry Dias, mentioned that the \$7 billion number thrown out during bailout talks was a floor, and not a ceiling. Furthermore, additional details of the bailout structure have caught investors' attention.

It appears that the government will provide financial assistance in the form of a low-interest loan. The 1% interest rate and the 10-year tenure that are expected to be part of this bailout deal will undoubtedly benefit Air Canada.

Although bond yields are low, Air Canada had to increase its yield so that it could satisfy the investors amidst the ongoing financial turmoil in Canada's airline sector. Yes, retail investors are rushing in on the announcement concerning this one. However, there's no doubt that this bailout package will stabilize Air Canada's balance sheet, which is good news for long-term investors.

Air Transat acquisition a major growth catalyst for investors

I believe that the **Air Transat** acquisition is a major boost for Air Canada shareholders. The [pandemic-induced economic crisis](#)

seems to have fueled this acquisition as per a report released by the transport minister's office. However, there are certain terms and conditions associated with Air Canada's purchase that is expected to benefit both the airline industry and passengers.

Some of the most noteworthy conditions include maintenance of Transat's headquarters in Quebec and launching new routes within a period of five years. Furthermore, Air Canada has to commit 1,500 new employees to its newly merged business. Indeed, these terms offer the best outcome for workers, travelers and the industries that depend on Canada's air transport.

Following this acquisition, Air Canada will be able to strengthen its bottom line with time. The long-term profitability of this stock makes it an option worth considering for value investors.

Bottom line

To sum it up, this stock continues to be one of a top turnaround plays in the market. With the imminent bailout package and the recently approved Air Transat acquisition, I believe that investors should be patient with this stock and hold for now.

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