



Top Stock for April 2021: Air Canada

Description

Following a disastrous 2020, analysts predicted that this year would see several beaten up companies, including **Air Canada** ([TSX:AC](#)), recover from their slump. Thus far, Air Canada has not disappointed. Yes, this stock is a long way from its glory days. However, Air Canada stock is still on the rise. This morning shares were more than 5% higher in early morning trading.

I think [Air Canada](#) is likely to ride this wave of momentum for the next couple quarters at least. Despite the looming fear of another lockdown due to new vaccine-resistant strains, I believe the market is fully optimistic right now. Indeed, this is a good thing for Air Canada shareholders.

Here are my top reasons why AC should don the portfolio of all kinds of investors.

A leisurely consolidation fuelling a bullish run

Air Canada's recent \$190 million acquisition of the leisure airline **Air Transat** has cemented its market dominance.

Indeed, 2020 was an absolutely terrible year for the tourism industry. However, mass vaccination efforts should result in pandemic-related travel restrictions being relaxed or lifted soon. Accordingly, the leisure travel segment is likely to see a massive near- to medium-term boost. Air Canada's acquisition of Air Transat, an airline that focuses on key travel destinations, seems like a well-timed strategic acquisition in this regard.

Notably, Air Canada didn't pay full price for this deal. In fact, the airline reportedly got a discount of over 70% on this deal from its initial offer price. Now that's a management team that's working for shareholders. Yes, fares are likely to rise (bad for consumers, good for Air Canada shareholders).

In my view, investors would do well to invest like Air Canada. Buy when shares are still beaten up.

Exploring new opportunities in diverse business operations

Last year resulted in a number of key route closures and a steep drop in capacity across Air Canada's core business. Due to Canada's strict COVID-19 restrictions, and subsequent shutdown of Nova Scotia, Sydney, Saint John, and New Brunswick airports, reduced international travel further harmed its business operations.

Air Canada's only profitable segment last year was its cargo division. In the wake of this success, this firm is now launching a new e-commerce delivery service, which is an amazing way to diversify its business operations. While this may not take off right away, primarily due to several existing competitors with a strong foothold, this expansion should open up a new long-term revenue channel.

Air Canada's done a great job of managing through this pandemic. Accordingly, shareholders are finally starting to reward this stock.

Bottom line

With a bailout on the horizon, and Air Canada's market position highly coveted right now, this is a turnaround play with a tonne of momentum.

Air Canada is likely to continue to show massive improvement in the quarters to come. I'm very bullish on a sooner-than-expected economic reopening in North America. Accordingly, Air Canada is a high-leverage play here.

Of course, reopening plays like this do carry some risk. I'd caution investors to practice proper discipline in sizing portfolio positions. However, adding Air Canada to one's portfolio could be a great move right now, in my view.

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Date

2025/08/21

Date Created

2021/03/24

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