



## Today's Top Buy: Air Canada Stock

### Description

Reopening plays such as oil and airlines seem to be the way to go these days. Picking stocks with the potential to benefit from a mass recovery from the pandemic has resulted in outperformance for many investors this year.

Indeed, there's a lot of optimism these days baked into the stock prices of reopening plays. However, in this space, I still think **Air Canada** ([TSX:AC](#)) is among the best picks. Indeed, I believe this company is poised to take off once discretionary travel is allowed and pandemic-related restrictions are relaxed.

The U.S. is doing extremely well with its vaccine rollout. However, Canada still lags in this department. Indeed, I think this could provide some near-term resistance to Air Canada's rise.

However, this is a stock that has a tonne of momentum right now, and for good reason. Let's dive into why investors seem to like Air Canada today.

## Canada cannot allow Air Canada to fail

Simply put, I think Canada cannot afford to let Air Canada fail. It is a vital, internationally focused airline that's crucial to Canada's transportation sector. The company is the big dog in the Canadian duopoly and has been given government support for decades to survive previous crises.

Accordingly, I don't see bankruptcy risk on the table for Air Canada, ever. There will always be a [bailout](#), whether via loan or otherwise, to save the day. The company's in the good hands of the government, and investors know this. There's a "government put" of sorts at play here, and this is clearly priced in today.

Thus, the fact that a pending bailout is on the horizon is no big surprise to investors. I think Air Canada is likely to get as much in the way of support as it needs. Perhaps more. That's a good thing for investors.

## Strategic acquisitions key to Air Canada's long-term growth

Another great thing for investors is the fact that Air Canada recently had its proposed merger with **Air Transat** approved. Much to the chagrin of its primary competitor, this deal was allowed on the basis of Canadian job security and the stability of the sector.

Indeed, this was a very strategic move for Air Canada. The \$190 million acquisition of Air Transat, a firm that heavily focuses on leisure and destination travel, was completed at a discount of more than 70% of the initial offer price. Now that's good business.

Additionally, it's expected that vacation travel will see a meteoric rise once the global full-fledged vaccine rollout yields results. Indeed, it appears Air Canada is well positioned to take advantage of continued momentum as a key Canadian reopening play.

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chrismacdonald

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