



Why Air Canada Stock Is Poised to Continue Soaring

Description

As the vaccine rollout in Canada gathers steam, it appears that there might be some light at the end of the pandemic tunnel after all. Hence, now is the perfect time for investors to seek dependable rebound plays. And, in that regard, the country's largest airline, **Air Canada** ([TSX:AC](#)), remains one of my top picks.

Yes, this stock has plunged over 60% compared to the pre-pandemic levels. However, with so many stocks rising from the ashes, there's plenty of optimism in the market as of today. Finding stocks with potential upside can be a challenge. That said, I believe that there's ample room for growth in the case of Air Canada stock, as it has some great catalysts right now.

Recovery is on the horizon

All of us have been confined within our home offices and home cities for far too far long. We're itching to explore the world and go, well, anywhere. Indeed, if you're in need of a vacation, as I am, considering airline stocks right now makes sense. There's a tremendous amount of pent-up demand for discretionary flying right now. Indeed, the view that we'll see a boom the likes of which we haven't seen in quite some time in discretionary travel makes sense.

Air Canada went through a tsunami of suffering, as the pandemic-induced crisis took a toll on this company's operations. Nevertheless, its current financial position appears to be better than what was expected a few months back. Although the company's operating revenue has been pummeled, Air Canada has stemmed the bleeding somewhat. Operational costs have been slashed, and the company's air cargo business delivered fantastic performance with 52% year-over-year growth.

I believe that this segment of the company might have enough room to expand long term. Furthermore, it seems that Air Canada has made some very well-thought-out strategic moves to limit its cash burn during the crisis. With a bailout on the horizon, balance sheet concerns are becoming less of a concern for investors today. Thus, there's a really bullish underlying thesis forming today for Air Canada stock.

Deal for Air Transat off, but investors don't seem to mind

The company's highly touted deal for **Air Transat** was viewed by many as a great deal. I mean, the company lowered its offer price, and the deal passed regulatory approval in Canada.

However, E.U. regulators recently poured cold water on the deal. Accordingly, Air Canada [announced](#) it would be stepping away from pursuing this deal right now.

My immediate reaction to this news was that it was unlikely to be positive for Air Canada. Indeed, the airline is viewed as a rebound play, and the Air Transat deal added significant leverage to the company's vacation travel segment. The deal was also appropriately priced and well timed. That said, it appears investors still remain bullish on Air Canada's core business without Air Transat. The deal ultimately would have been a small one for the airline. Accordingly, this appears to be a non-news item right now for investors.

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