



Why Air Canada's (TSX:AC) Biggest Deal Got Cancelled

Description

It's official.

Air Canada's ([TSX:AC](#)) biggest deal has been cancelled. After agreeing to close a \$190 million deal with **Transat** (TSX:TRZ), the two companies have formally ended their agreement. The deal had been a major success for Air Canada, which managed to negotiate a far lower purchase price than was initially proposed. But this month, failure to obtain regulatory approval killed the deal. In this article, I'll explore the AC-Transat deal in detail and examine why it fell apart.

A major snag in the E.U.

The main reason the Air Canada-Transat deal fell apart was because the parties couldn't get a needed permission from the E.U.

The newly merged Air Canada-Transat company would have operated several transatlantic routes. The companies needed permission from the [European Commission \(EC\)](#) in order to get the go ahead to fly these routes. Unfortunately, the EC had too many concerns about competition to give the go-ahead. As a result, the deal wasn't able to close.

A major player

It's possible that Quebec businessman Pierre Karl Péladeau had something to do with the AC-Transat deal getting axed. Long an opponent of the deal, he believes that his own offer for Transat is better than what Air Canada had offered.

In January, I wrote that [Peladeau was in talks with E.U. regulators](#), who voiced concerns that the AC-Transat deal was anti-competitive. Péladeau apparently shared their sentiments. Today, he says that his offer to buy Transat still stands.

Could someone else buy Transat?

As of right now, it looks like Air Canada's Transat takeover won't be going ahead. Having paid a \$12.5 million termination fee to Transat, AC seems to be out for good. But there are still questions as to whether the takeover could be revived — by a different buyer.

Certainly, Péladeau is a contender. With a \$1.8 billion net worth, he could easily afford to pay the \$190 million Air Canada had offered for Transat. He wants to buy the company, as he has said many times in the past. The fact that he spoke to the E.U. about the matter indicates that he's serious.

There's also the possibility of private equity buyers. In 2019, **ONEX** made waves by buying WestJet, Canada's second-largest airline. At the time, airlines were much more expensive than they are now. For example, in 2019, Air Canada's stock reached prices as high as \$45.5. Today it trades for less than \$30. If ONEX was interested in WestJet at 2019 prices, perhaps it would be interested in Transat today. After all, Transat accepted an offer for \$190 million, down from \$720 million just a year earlier. Perhaps a private equity firm like ONEX would see the airline as a bargain. However, since ONEX already has a major airline in its portfolio, it may run into the same competition issues that Air Canada did.

Foolish takeaway

Ultimately, the fate of Transat remains to be determined. The government of Quebec has pledged to support the company, and Péladeau's offer still stands. Perhaps the company will find a buyer. One thing is certain, though: Air Canada won't be getting a piece of the pie.

CATEGORY

1. Investing
2. Top TSX Stocks

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

2. Top TSX Stocks

Date

2025/09/12

Date Created

2021/04/06

Author

andrewbutton

default watermark

default watermark