



Why My Tune on Air Canada Stock Is Changing

Description

For many investors, the search is on. What search you may ask? The search for the best pandemic reopening plays in the market right now.

Among the top picks investors may consider has to be **Air Canada** ([TSX:AC](#)). After all, airlines have been among the hardest-hit stocks during the pandemic. Accordingly, there's tonnes of room for capital appreciation, if these stocks can return to their former glory in short order.

However, there are [risks](#) with this view. Indeed, there are some investors who believe there are cracks in this theory.

Accordingly, let's look at two of the catalysts which could potentially stunt this growth thesis.

Canada's vaccine rollout has been a drag

As a top reopening play, the reopening of the economy in an expedited fashion is a key factor to consider for Air Canada right now.

Thus, the efficiency of vaccine rollout matters in a big way for airlines. Other sectors may be able to make it by with partial restrictions. However, airlines are built to operate at maximum capacity. Air Canada investors are betting on a full reopening materializing sooner rather than later.

Accordingly, Canada's been lagging the developed world in terms of vaccine deployments. Currently, Canada sits around 40th place on the world stage in this regard. Moreover, recent cancellations and reductions of vaccine orders have certainly not supported a rapid reopening thesis.

There's no doubt that vaccinating all citizens of this country will take time. After all, managing the distribution and supply chain for a country as vast as Canada is a daunting task, to say the least. Nevertheless, since Canada is a G7 nation, the public is demanding more from the government right now.

If this vaccine rollout gathers steam, Air Canada stock can certainly deliver stellar performance. However, since this country has fallen so far behind others in terms of vaccinations, there's reason to be bearish with respect to the idea Air Canada's valuation may have gotten ahead of its prospects right now.

Air Transat acquisition is not happening

Last week, Air Canada revealed that it was dropping its takeover bid for **Air Transat** (TSX:TRZ). This deal was effectively shut down by the European Commission over antitrust concerns. Air Canada appears to have been unable or unwilling to comply with the remedies the E.U. was looking for. Indeed, this decision is one I expected to be bearish for this stock in the near-term, given the reopening thesis underpinning the leisure travel segment (which would have been greatly boosted by this deal).

However, investors appear to be more focused on the positives of the deal falling through right now. Essentially, Air Canada's balance sheet won't get worse at a time when it's still burning through a tonne of cash.

That makes sense.

However, I think it's impossible to be bullish on the recovery thesis with this stock and not bemoan the loss of the potential market share Air Canada would have gained in vacation travel coming out of the pandemic. But that's just me.

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