



## Today's Top Buy: Air Canada

### Description

**Air Canada** ([TSX:AC](#)) stock has done quite well thus far this year. That said, in recent weeks, the story has been a little different. Air Canada shares seem to be finding a base right now, consolidating around the \$26 level.

That said, I think there are a [few catalysts](#) that could take this stock back on its upward trajectory.

For starters, Air Canada remains one of the most reliable rebound stocks on the TSX right now. With more and more investors leaning towards reopening plays, there's a good chance continued capital inflows into such sectors could provide a nice medium-term catalyst for such companies.

Indeed, I believe that Air Canada will ultimately outperform in a post-pandemic environment. With that in mind, here are a couple things investors should be watching right now.

## Air Transat deal is off, but there's still a silver lining

I'm not the only one bullish on a recovery in travel. Indeed, investors in Air Canada have doubled down on this name of late, pushing Air Canada shares toward the \$30 level.

I think there's reason for this optimism.

We've all been cooped up too long now. It's been a year since the pandemic began (it's felt like a decade), and we're all itching to go anywhere. Vacation travel is very likely going to boom to a degree we haven't seen maybe in generations when the starting pistol is fired. How soon we get there is a whole other story, but the table is set for a very nice rebound.

Thus, Air Canada's takeover bid for **Air Transat** (TSX:TRZ) initially prompted a bunch of optimism with regards to Air Canada's leverage to the recovery in leisure travel. As a key player in sourcing vacation packages to popular vacation destinations for Canadians, I viewed the Air Transat deal as very bullish for Air Canada shareholders. When the news was announced that the deal was off, my take was that it would likely not be a good thing for Air Canada stock.

To my surprise, Air Canada stock has held in there quite well. It appears the market is viewing the cancellation of this deal as a positive. Instead of paying millions of dollars for a relatively small competitor, the company can instead focus on shoring up its balance sheet.

And on that note...

## A bailout is here

Another key factor investors ought to be optimistic about right now is a bailout, which has finally materialized!

Late Monday, the federal government announced a \$5.9 billion aid package to Air Canada. The deal is structured as a loan, which will be need to be paid back. However, the government also bough 21.6 million Air Canada shares at \$23.18 per share — a 14% discount to Monday's price.

As a result of the deal, Air Canada will pay back ticket fares for flights cancelled due to the coronavirus.

Indeed, this is the news many investors were waiting for. A bailout strengthens Air Canada's balance sheet, and brightens the long-term view for investors.

For those taking a really long-term approach to owning Air Canada shares, this news is a big positive. Knowing the government will step in and be a lender of last resort to any company is a really important catalyst to price in.

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