



Is Air Canada Stock the Pandemic Reopening Play Investors Are Hoping for?

Description

I've previously discussed why **Air Canada** ([TSX:AC](#)) shouldn't be left out of the discussion when it comes to pandemic reopening plays. Indeed, the airline sector is about as economically sensitive as one could invest in. Thus, it's no surprise Air Canada stock continues to show strength from the depths of despair seen in 2020.

However, there are concerns. Some investors are worried about the pace of Canada's vaccination program. Others point out that some structural damage to business travel is likely to remain in a post-pandemic world.

However, as investors, we're all inherently optimistic about the market. Otherwise, we wouldn't invest.

So, let's take a look at the bright side on Air Canada. Here are two key catalysts that are driving this stock's performance right now.

Big bailout finally announced

The recent news that Air Canada has [dropped its acquisition bid](#) for **Air Transat** has been overshadowed by even more recent news that a bailout has (finally) materialized for Air Canada and its shareholders.

Now, Air Canada's stock price hasn't performed that well over the past week, so there are indications that bearish sentiment could be creeping back into this sector. However, this news is broadly positive and is a reason for shareholders to remain optimistic.

The Canadian government agreed to give Air Canada \$5.9 billion in low-interest loans. As part of the deal, the government also retained the potential of buying an equity stake up to 20% and imposed restrictions as to what the company can do with this money.

All this seems fair. I mean, it's taxpayers' money on the table.

However, investors may not like the fact that some dilution is possible as a result of the deal. Additionally, restrictions are not generally viewed as a good thing.

But it's low-interest money at a time when raising more money via outside debt and equity markets would likely be worse.

Air Canada's core business prospects still strong

I think, in many ways, the recent bailout and move away from the Air Transat deal could be viewed positively by investors.

Air Canada's roadmap has been simplified. Additionally, investors now have more in the way of certainty. These are very good things.

Air Canada's core business still has strong prospects coming out of this pandemic. When travel restrictions are finally lifted, there will be a boom in air travel. That much is certain. The timing? Not so much.

Right now, I think investors who aren't aboard Air Canada may want to wait for a better entry point. In my view, this is a long-term holding. There's no need to rush to the gate — you're not going to miss your flight.

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