



The Bull Case on Air Canada Stock Today

Description

Air Canada ([TSX:AC](#)) stock has been a topic of constant discussion of late. And for good reason. This company remains a key reopening play for investors looking to benefit from the economic reopening coming out of this pandemic.

Indeed, Air Canada's prospects look a lot better today than they have in the past. A new bailout and continued optimism around vaccine rollouts provide a nice thesis for this stock today.

Accordingly, here are two reasons I think investors may want to get bullish on Air Canada stock today.

Big bailout news

Air Canada has finally bagged its [much-awaited bailout](#) from the federal government. Under Ottawa's Large Employer Emergency Financing Facility program, this stimulus package of \$5.9 billion comes as a respite to the airline's liquidity needs.

The deal encompasses both debt and equity financing for Air Canada. Accordingly, the airline's largest shareholder, Letko Brosseau & Associates, believes that some pretty impressive growth could come as a result of the deal. Whether investors see near-term capital gains as a result of the announcement or not, this added liquidity should accelerate Air Canada's recovery meaningfully.

I think there's certainly room to be optimistic on this news. Yes, some dilution could result as a part of the equity financing piece of the deal. However, investors who were looking for "free money" were likely to be disappointed regardless.

I think this bailout is broadly positive. Accordingly, investors will now need to assess how much of this news has already been priced into Air Canada stock when looking for an entry point.

Reopening thesis remains strong

The other key catalyst investors have their eye on right now is the pandemic reopening we're all hoping will materialize soon.

Indeed, Air Canada's position as the largest airline in Canada and one that is explicitly supported by the Canadian government is very bullish for investors. If we do see a return to normal materialize later this year or early next year, Air Canada is well positioned to see a boom in travel — the likes of which we haven't seen in generations.

Now, there will likely be some structural declines in business travel coming out of this pandemic. However, leisure travel is one segment most investors are anticipating will absolutely skyrocket. I'm certainly optimistic on such a scenario. Accordingly, I see a tremendous amount of pent-up demand being a positive for this stock over the medium term.

How long it takes Canada's economy to reopen is a whole other story. Thus, I think the timing of how the reopening progresses in Canada will drive some volatility in Air Canada's stock price over the near term.

For investors looking for a better entry point, easing into a position in Air Canada may be the best route. There's nothing wrong with dollar-cost-averaging a position over time. Indeed, patience is a virtue. Long-term investors who remain patient with this stock could be well rewarded.

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