



## Why You Should Buy the Dip in Air Canada Stock Today

### Description

**Air Canada** ([TSX:AC](#)) stock was up marginally in early afternoon trading on April 21. Its shares have dropped 11% over the past week. Early last week, I'd [discussed](#) Air Canada's prospects as they continued to negotiate a bailout with the Canadian federal government. On the same day I'd discussed the seemingly stalled deal, the Feds and Air Canada got over the hump. Go figure.

Should investors look to buy the dip in Canada's top airline stock in late April? Let's dive in.

### Air Canada and the Feds have struck a deal

Last week, Air Canada reached a deal with the federal government that will provide the top Canadian airline with significant financial support. This is a dire need after what has been the most challenging year in the company's history. Meanwhile, Air Canada will be required to refund customers who saw their flights cancelled due to the COVID-19 pandemic.

The government will provide Air Canada with up to \$5.9 billion through the Large Employer Financing Facility. Low interest loans will be extended worth up to \$5.4 billion. Moreover, the government will take an equity stake by purchasing \$500 million in the airline's stocks. It is a big move that many had been eagerly awaiting.

Air Canada will restore flights on nearly all suspended regional routes. Moreover, it will cap compensation for company executives at \$1 million per year. It will also suspend share buybacks and the payment of dividends to shareholders during the loan period. That news will not put a smile on the face of prospective investors.

### Canada is catching up with its vaccine rollout

On Tuesday, Ontario administered a new high of 136,695 doses of the COVID-19 vaccine. While Canada is still far behind its global peers in this arena, this is a promising step forward. The hope is that Canada can really start to gather momentum in administering vaccines once we are in the thick of

the summer. It is hard to be optimistic in this environment. Still, Canadians should take the small victories at this stage and there do appear to be some glimmers of hope.

This is good news for the airline sector. Late last year, Air Canada called for policy makers to consider a more even-handed approach that could lead to a loosening of travel restrictions. On the contrary, policy-makers pursued more intense travel restrictions in early 2021.

Airliners are relying on a return to normalcy over the next year. Investors should keep their eyes on Canada's ongoing vaccine rollout in the spring.

## A value bet?

Over the weekend, I'd looked at Air Canada [incredible performance](#) in the 2010s. The airliner faced down potential bankruptcy in the wake of the 2007-2008 financial crisis. This bailout provides a much-needed boost for a company that is still facing turbulence.

The airline industry is still on track for strong growth for the long term. Air Canada stock is well worth your attention, especially after this long-awaited bailout. Shares of Air Canada last had an RSI of 30, putting it just outside of technically oversold territory.

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