



## Will Air Canada Fly High or Crash Land in 2021?

### Description

**Air Canada** ([TSX:AC](#)) has been touted as one of the best [reopening plays](#) on the TSX for quite some time. It has been on the watchlist of many investors who are seeking a dependable rebound stock. Indeed, there's ample room for optimism right now.

However, there are some concerns that have made investors cautious with this stock. Here's my view on Air Canada considering the current circumstances.

### Air Canada finally bags its bailout deal

The much-awaited airline bailout deal has finally materialized.

The \$5.9 billion stimulus package from the federal government is a big one. And many investors think the liquidity provided to Air Canada should be more than enough to get the airline through this difficult time.

Additionally, investors now have certainty with respect to the details of this arrangements.

The bailout encompasses both debt and equity components. The government will actually be taking a stake in Air Canada and has added some stipulations to the deal. Various job safety and job protection measures have been put in place. And Air Canada will need to refund ticket sales, finalize its airplane orders and resume regional routes.

In its entirety, the deal is a mixed bag. On the one hand, Air Canada gets a bag of low-interest money and a zero-interest equity injection. On the other hand, it needs to play by the government's rules now. Accordingly, Air Canada's stock price has languished since the bailout announcement. However, in recent days, Air Canada stock has been coming back.

The ultimate trajectory with Air Canada remains unknown. However, investors should sleep well at night with Air Canada stock, knowing the government has shareholders' backs, because they are shareholders too now (and have said they want to participate in the upside).

## Bottom line

The stipulations the bailout package provides don't appear to be overly onerous. That said, other headwinds such as rising jet fuel costs and a slower vaccine rollout could be more insidious for investors.

I think how the pandemic-related restrictions are lifted or loosened over time will determine a lot of Air Canada's stock price trajectory from here. Canada is accelerating its efforts, and I'd expect more exports from the U.S. to materialize once the population south of the border is mostly vaccinated.

However, timing is the key issue with Air Canada stock right now. Whether or not to jump in at these levels is the question. And to be honest, I don't know which direction this stock is headed right now.

Accordingly, investors may want to be patient with Air Canada right now. For those bullish on the outlook coming out of this pandemic, perhaps phasing in an investment over time is the best approach.

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