



## The Bull Case on Why Air Canada Could Still Take Off

### Description

**Air Canada** ([TSX:AC](#)) is still very much a reopening play, as it continues to rally off the market turmoil last year. That said, since the beginning of March, when shares peaked above \$30 per share, Air Canada stock has somewhat stalled.

Now, investors may be wondering — can Air Canada take off again?

It's certainly possible. Indeed, bulls seem to think it's likely.

Being the [optimistic Fools](#) we are, let's take a look at the bull case on why Air Canada could take off.

### Reiterating the reopening thesis

The pandemic dealt a massive blow to the global airline industry. Not a single airline was spared from vast global travel restrictions, most of which remain in place today.

Accordingly, like its peers, Air Canada has been burning through a lot of cash of late. Staying afloat with sky-high fixed costs and various contractual obligations with employees has been difficult. Indeed, this near-term turbulence can be seen in Air Canada's stock chart.

However, there's good news. Eventually, this pandemic will be over. And Air Canada will once again soar.

Bulls suggest the end to the pandemic is right around the corner. Travel will boom as a result of loosening travel restrictions amid a tremendous amount of pent-up demand. And we'll all go back to our jet-setting ways. (After all, we've got a lot more saved up these days thanks to the pandemic limiting our spending).

Investors should remember that the Canadian airspace is essentially a duopoly. Air Canada happens to have top spots in this duopoly. Accordingly, government support is yet another reason why investors remain bullish on Air Canada right now.

## The recent bailout news

The Canadian government clearly has a duty to protect its transportation sector. Given the critical infrastructure status Air Canada has received, there's basically no scenario where the airline could go bankrupt. It's too big to fail, and investors know this.

Thus, a bailout announcement was just a matter of time. However, the longer a deal was delayed, the more investors became nervous.

Thus, the recent \$5.9 billion bailout deal between Air Canada and the Canadian government allows investors to breathe a breath of fresh air. Not only does this deal provide certainty to investors, but it also bolsters Air Canada's liquidity position. For an airline burning through cash, that's a great thing.

The fact that the Canadian government also decided to invest equity in Air Canada is bullish for investors. The government makes money when Air Canada's stock price goes up. Thus, not only is Air Canada fully backed by the government, but the federal government also has an incentive to boost Air Canada's share price.

That's a real win for investors.

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