



## What Air Canada's Bailout Means for Investors

### Description

For investors who are on the hunt for a reliable reopening play, **Air Canada** ([TSX:AC](#)) has been a popular option. After taking a beating due to the pandemic, shares of the company have soared. Indeed, since the slump in March 2020, the stock price of Canada's largest airline has doubled. Indeed, investors are factoring in plenty of optimism in this space.

Air Canada recently bagged the much-awaited bailout deal worth \$5.9 billion. Here's what I think the [relief package](#) means for investors interested in Air Canada today.

### The bailout deal comes with certain stipulations

This financial package, worth \$5.9 billion, is undoubtedly huge for the airline company. This deal includes both low-interest loans and equity financing.

Yes, you read that right.

In return for bailing out Air Canada, the federal government will be acquiring a stake in this company, investing approximately \$500 million at a 14% discount to this stock's price on the day this bailout was announced. Accordingly, Air Canada will be issuing more than 21 million shares.

Moreover, there are more conditions attached to this deal, which requires Air Canada to resume regional routes, refund tickets and keep its aircraft orders. Furthermore, the company has to ensure job protection as a part of the bailout deal.

### There's a lot of uncertainty in the near term

There's no doubt that this bailout was crucial for Air Canada's survival. This relief package will certainly provide a much-needed boost to this company's liquidity position. Furthermore, low-interest loans and equity investment will de-risk Air Canada's balance sheet. Indeed, that's great news for investors. However, there's significant downside potential with this stock today.

The share dilution that comes following the equity financing is still being factored into Air Canada stock right now. Furthermore, increasing jet fuel prices and the additional conditions in relation to the deal could affect the margins of this company, at least in the near term. Hence, It's highly likely that these factors could impact Air Canada's chances of experiencing profitable growth.

There has been a great deal of volatility surrounding shares of Air Canada in the past few days. However, investors who are bullish on this stock might view these fluctuations as excellent buying opportunities. Indeed, for individuals who are optimistic regarding a surge in demand for air travel once the government lifts the pandemic-related restrictions, Air Canada is a top buy today.

However, there's a high chance that this stock could decline for some time. Accordingly, it would be best if investors remain patient with this stock.

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