



Why There's Room for Optimism with Air Canada Stock Today

Description

Last year was a terrible one for the airlines sector. That said, I've remained bullish on **Air Canada's** ([TSX:AC](#)) position in the market relative to its peers for some time.

Air Canada remains a preeminent [reopening play](#) in Canada. This airline's recent bailout positions shareholders for a nice post-pandemic recovery. Indeed, I expect discretionary travel to pick up dramatically in the months to come.

Here's a few reasons why I think there's tonnes of room for optimism for Air Canada investors right now.

Reopening thesis not hampered by deal falling through

One of the key catalysts I viewed as having the potential to take Air Canada higher this year was its deal to acquire leisure airline **Air Transat**. This deal received approval from Canadian regulators, but ultimately fell through due to concerns from European regulators.

This deal was renegotiated at a much lower price, and I viewed Air Canada as picking up key market share in a growth segment at a dirt-cheap price. However, competition concerns have stymied the company's efforts in this regard.

However, growth investors needn't worry.

I think Air Canada's dominant position in the Canadian airline space positions the company well to take advantage of the pent-up demand likely to materialize over the short- to medium-term. Yes, this deal would have been nice. However, Air Canada's liquidity position is further strengthened by way of the deal falling through.

Air Canada remains highly-levered to the reopening thesis in travel. Vaccinations are picking up speed, and not much has changed in this regard. Additionally, I think this deal falling through provides Air Canada's management team with a much less complicated ramp-up over the coming quarters. For

investors, this is a good thing.

Government support very bullish for long-term investors

Air Canada's dominant position in the Canadian airline sector exists because the government deems it to exist.

Accordingly, it was no surprise to me, or most investors, that a bailout materialized. Most analysts believed it was a matter of time for a deal to get done.

Now that the \$5.9 billion bailout deal is signed, sealed, and delivered, investors can move on. Any risk of this bailout falling through or taking even longer to complete are now gone. Investors can focus on the (hopefully) bright future of Air Canada from here.

I think the combination of low-interest loans and equity investment in Air Canada is bullish for investors. The Canadian government now has skin in the game. Indeed, if Air Canada's stock price rises, the government makes money. And right now, the government needs every dollar of revenue they can generate. Thus, this is a reopening play with about as strong a political backdrop as an investor could want.

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