



Air Transat's Going it Alone: Why That Could Be a Good Thing for Shareholders

Description

Recently, **Transat AT** (TSX:TRZ) has been all over the news. The company's been entangled in a series of takeover bids. As it turns out, both deals are now off the table.

Accordingly, investors interested in the post-pandemic recovery in vacation travel have a smaller company to assess as a high-potential play. Let's take a look at why Air Transat is an intriguing choice today.

Air Canada and Peladeau locked horns for Air Transat

Previously, Pierre Karl Peladeau, a Quebec media magnate, and **Air Canada** (TSX:AC) tried their hands at striking a [take-over deal](#) with Air Transat. However, in the end, neither of the entities could seal the deal with the airline.

Last month, the \$180 million deal with Air Canada was called off based on regulator headwinds from the European Commission. On the other hand, Peladeau decided to walk away from the deal due to disagreement on valuation.

Overall, I think pulling the fact a deal didn't materialize is ultimately good for Air Transat shareholders. There's certainly an argument that can be made that Air Transat's worth more than the \$5 per share Peladeau was offering. And the combined company won't have the backing of a behemoth in Air Canada to justify the deal.

Regardless, Air Transat is now sitting in a relatively decent position. The airline recently secured a \$700 million bailout from Ottawa. Additionally, the airline appears to have enough liquidity to make it through this pandemic.

Indeed, if the post-pandemic recovery in travel is as strong as investors are pricing in, Air Transat could be a real winner from here.

Reopening thesis remains strong with this stock

Investors in Air Transat are really buying leverage to the post-pandemic rally in travel.

Indeed, Air Transat's business model of providing vacation packages to clients is one that's been decimated this past year. As borders remain closed, international travel has really lagged. The company remains largely grounded and an end date has not yet been given for when everything will return to normal.

That said, when the tides *do* turn, Air Transat is well positioned for growth. This is as pure a rebound play as investors could want in this environment.

Discretionary vacation travel will likely only take off in the coming months. The government will be forced into reopening its borders amid calls from industry and consumers who have waiting for far too long to get on a plane. The amount of pent-up demand is insane, and Air Transat stands to benefit.

This is a small, niche carrier in Canada's airline sector. However, investors looking for a reopening pick with tonnes of upside can't go wrong with Air Transat here.

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