



## COVID-19 Recovery: 1 Value Stock Set to Outperform

### Description

**Transat** (TSX:TRZ) is a leading integrated [international tourism company](#), specializing in holiday travel. The company operates and markets its services in the Americas and Europe. It develops and markets holiday travel services in packages, including air travel and hotel stays, and air-only formats. Transat operates under the Transat and Air Transat brands mainly in Canada, France, the United Kingdom, and in 10 European countries as part of a multi-channel strategy.

Transat is also a retail distributor, both online and through travel agencies, some of which it owns. It offers destination services in Mexico, the Dominican Republic, and Jamaica. Recently, Transat started setting up a division with a mission to operate hotels in the Caribbean and Mexico and to market them, particularly in the United States, Europe, and Canada.

### Sustained profitability

As part of the company's 2018-2022 strategic plan, Transat set a [two-pronged objective](#) of building sustainable profitability by improving the company's current business model and pursuing hotel development. Recently, Transat strengthened the company's current model by maintaining focus on satisfying the expectations of leisure customers with user-friendly service for an affordable price.

This was made possible by greater synergies between the company's various divisions in Canada, continued efforts to increase efficiency and reduce costs, continuous improvement in Transat's digital footprint, and a special focus on the development of certain functions, such as revenue management or air network planning.

### Cost-reduction efforts

In 2019, Transat's shareholders approved an arrangement agreement with **Air Canada**, under which Air Canada agreed to acquire all issued and outstanding shares of Transat. On October 9, 2020, a new arrangement agreement with revised conditions was signed to replace the previous agreement. In April 2021, however, the transaction was called off due to regulatory hurdles and Air Canada's own

pandemic-related business challenges. Transat received a lucrative break-up fee from Air Canada.

Air Canada's interest in acquiring the company demonstrates the great value that exists in Transat's shares. Meanwhile, Transat has slowed down investment in hotel development and continued cost-reduction and service-enhancement efforts to fully implement the company's strategic plan.

## Serving leisure markets

By dramatically disrupting airline and travel businesses, the COVID-19 global pandemic has forced Transat to focus on adapting to the situation in the short term by targeting cost reduction and cash preservation. At the same time, Transat has moved forward with parts of the company's strategic plan where possible, and to best position itself for recovery when demand picks up.

Transat constantly stays abreast of the latest trends that will allow it to serve the company's two leisure markets, namely sun destinations with departures from Canada and the transatlantic program with departures from Canada and Europe. Further, Transat Tours is a major Canadian tour operator, but it competes with other tour operators for sun destinations.

The company continues to devote major efforts to the expansion of Transat's range of products, accounting for market trends, with the objective of offering a product line that differentiates it from the competition. These efforts are likely to payoff over the long term. As business travel picks up, Transat should benefit substantially.

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