



Why I'm Buying Air Canada Stock in June

Description

Air Canada ([TSX:AC](#)) stock has climbed 20% in 2021 as of early afternoon trading on June 3. Its shares have climbed 45% from the prior year. Global airlines have faced a steep challenge over the past year. The COVID-19 pandemic has shaken the travel industry. Fortunately, there appears to be a light at the end of the tunnel. Today, I want to discuss why now is a great time to snatch up Air Canada stock.

Don't let recent news turn you off Air Canada

In early May, I'd discussed why Canada's top airliner could still be a [top stock](#) in the 2020s. Air Canada and the federal government reached a bailout agreement in April that would see the government take a \$5.9 billion equity stake in the airliner. The government had stipulated that a bailout would need to include full refunds for clients who were burned by the pandemic. Moreover, Air Canada was not to use bailout funds to pay out bonuses to executives.

The company drew criticism this week after it was revealed that it paid out \$10 million in bonuses to its top executives after laying off thousands of staff during the pandemic. Prime Minister Justin Trudeau and Finance Minister Chrystia Freeland were distressed by the news.

This news has ruffled feathers across Canada, but the bonuses were reportedly paid before the bailout deal. Therefore, it will not threaten the framework of the agreement between the airliner and the government.

Why an economic rebound is great news for Canada's airline sector

Last month, I'd discussed why an economic rebound had the [potential](#) to propel Air Canada and its peers in the quarters ahead. Ontario is set to pursue the first phase of its reopening by June 14 at the latest. Meanwhile, Canada and the United States have finally opened discussions that could lead to

the reopening of the crucial Canada-U.S. border.

Commercial travel has the potential to return with a vengeance in late 2021 and beyond. Savings rates for Canadians increased in this crisis. That means that many consumers may be hungry to spend their extra cash on a long-awaited vacation. Investors should expect travel to heat up significantly once most Canadians obtain their second vaccination dose.

Air Canada recently announced that they will begin operating government-approved, COVID-tested flights to Italy starting on July 2, 2021. This is a sign of things to come for Canada's dormant travel industry.

What does the timeline look like for the stock in 2021?

The company released its first-quarter 2021 results on May 7. Predictably, it posted negative EBITDA of \$763 million — down from EBITDA of \$71 million in Q1 2020. A return to regular operations bodes very well for Air Canada's drive back to profitability.

Investors should remember that the airline industry is still on track for strong growth over the course of the 2020s. Passenger traffic should continue to increase as air travel grows cheaper. Meanwhile, Air Canada stock is still worth roughly half what it was at peak value. This is still a great time to jump on the promising growth stock for the long term.

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