



## Air Canada (TSX:AC): Bailout, Bonuses, and Operational Recovery

### Description

**Air Canada** ([TSX:AC](#)) is on its way to organic recovery. It's reopening domestic routes, establishing new cargo routes, and resuming flights to several international destinations. It's also resuming flights to countries where passengers flying from Canada don't have to follow mandatory quarantine rules on arrival.

If the first-quarter results are any indicator, it would take several more quarters before the company's financials are in the green again. And it might take years before the operational activities reach the pre-pandemic levels. The recent government bailout is expected to be enough for the airline to survive till its regular operational profits take off.

Unfortunately, Air Canada has recently made some very controversial headlines, and it might have the potential to sway the general public and investor opinion against the airline. The people who were rooting for and praising Air Canada for its resilient survival might start blaming the company for [corporate greed](#).

### The bonuses

Air Canada announced that it was issuing a bonus of \$20 million (in the form of stock options and direct incentives) to managers and executives for their efforts during the COVID. The original payout close to \$10 million, but it was enough to spark outrage, especially in the government that recently bailed out the company with \$5.9 billion.

The bonuses make up a mere fraction — about 0.17% — of the total bailout package, but it looks extremely ugly if you take into account the fact that the company is laying off thousands of its employees to cut costs.

The unequal treatment at the two ends of the employee spectrum has caused the members of the parliament to vote to condemn this act unanimously. Worsening the decision is the fact that the bailout package capped executive compensation at \$1 million for at least a year.

## The stock

We've yet to see a statement from Air Canada and how the government's symbolic condemning will translate to actual steps against Air Canada, especially considering that the government is now a major shareholder in the company. The outrage of public representatives against Air Canada's bonuses *might* impact the stock.

Public outrage has shaken the stocks of larger companies than Air Canada, and if things continue the way they are, the airline stock might take a small dip.

But if you are in [the long game](#), you might not need to worry about this affecting the long-term recovery/growth prospects of the airline. The economy *is* recovering, and the airline will benefit from it. Unless the government takes direct measures to condemn Air Canada's bonus move, the long-term impact on the stock and company's valuation might be minimal.

## Foolish takeaway

The problem with the executive bonuses is made worse by the timing. The summer travel this year could provide enough data to make accurate projections about Air Canada's eventual recovery. But a tug of war between operational recovery and negative public perception might cast a shadow on the airline's eventual recovery and keep many would-be investors at bay.

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