



## Air Canada Stock (TSX:AC) Dumps \$5.4 Billion Government Aid — Now What?

### Description

On November 19, Air Canada ([TSX:AC](#)) announced that the company backed out of its \$5.375 billion in government aid. This comes from its improving economic position, with Air Canada stock believing it's well on the way to a more solid financial future. However, shares remained [stable](#) at around \$24 per share as of writing.

### What happened

Air Canada stock left most of its high-interest credit facility “untouched” as the company continues to see signs of a strong financial outlook. Motley Fool investors wouldn't be blamed for being surprised. After all, Air Canada stock practically begged the government to provide aid for months amidst the pandemic.

Yet after using \$1.2 billion from government aid to provide the necessary refunds under the agreement, the remaining \$3.975 billion will be returned from the package. The reasoning behind this comes from several areas.

First, of course, is the high interest from the government aid. The federal government bought \$500 million in Air Canada stock at \$23.18 each. That made it a 6% owner of the carrier, something management didn't find ideal.

Then there's the improving situation amidst the pandemic. More routes, more employees, and more booking continue to be added to Air Canada. This means more money and also means the company can find its own financing, rather than depending on the government.

“We deeply appreciate the Government of Canada’s support as this helped maintain a level playing field...in the face of the unprecedented downturn caused by COVID-19,” said Air Canada President and Chief Executive Officer Michael Rousseau. “In addition to helping preserve thousands of jobs and travel choices for [Canadians](#), the assistance offered to Air Canada notably served as an extra level of insurance that enabled us to raise additional liquidity on our own to manage the pandemic and give us sufficient resources to effectively compete in the post-pandemic marketplace.”

## So what

That's exactly what happened, allowing Air Canada stock to be in control of its own company rather than having 6% owned by the government. It recently completed financing worth \$7.1 billion that includes extended debt maturity dates. It can now get rid of the government package with no penalties and will have a new financing package that will last much longer.

It's not all good news, however. Air Canada stock recently reported it lost \$640 million during the last quarter. Yet this was while the company nearly tripled its seat sales, with seat capacity rising 87% year over year. Clearly, it's not just Air Canada stock believing in its positive future air travel. Getting financing at such a high rates over several years shows debt providers believe the same.

## Now what

Air Canada stock remains, if not volatile or stable, perhaps unexciting at the moment. Analysts don't believe the stock will suddenly shoot up overnight, nor should they. Yet it's still a great time for long-term Motley Fool investors to get in on this stock amidst the improving situation.

Should Air Canada stock return to 2019 levels and then improve on them, *that's* when things will get interesting for Motley Fool investors. Now it might be a while until we see those numbers improve, but they will improve eventually.

So if you have the patience to buy up this stock and sit on it for sometime, I would say now is a great [time](#) before the holiday revenue comes into affect.

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