



Why Air Canada Shares Took Off

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of **Air Canada** (TSX: AC.B) flew 12% higher today as Bay Street applauded the airline operator's September load factor numbers and updated guidance.

So what: The stock has soared over the past year on signs of improving fundamentals, and today's update — September load factor of 86.2% with Q3 costs per available seat mile (CASM) expected to be down 3%-3.5% — only reinforces that trend. Traffic seems to be holding up while management's cost-cutting program continues to track well ahead of expectations, giving analysts plenty of good vibes over Air Canada's improving competitive position and international growth prospects.

Now what: Don't expect the operating momentum to slow anytime soon. "Based on our third quarter load factor, and coupled with the ongoing positive results of our cost transformation and revenue enhancement initiatives, we expect EBITDAR (excluding the impact of benefit plan amendments in 2012) and adjusted net income for the third quarter to be above last year's level for the same period," [said](#) CEO Calin Rovinescu in a statement." Of course, when you couple the airline industry's notoriously intense nature with the stock's red-hot run up — now up more than 215% over the past year — Air Canada's long-term risk/reward proposition doesn't seem all that attractive.

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Fool contributor Brian Pacampara does not own any shares in any of the companies mentioned. The Motley Fool does not own shares in any companies mentioned.

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