



Why Transat AT Shares Tanked Today

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 tour operator **Transat AT** (TSX: TRZ.B) plummeted 18% today after its quarterly results and outlook disappointed Bay Street.

So what: Transat shares have plunged in recent months on foreign exchange concerns, and today's Q1 results — net loss of \$25.6 million on revenue growth of just 5.6% — coupled with downbeat guidance only confirms those fears. In fact, the weak Canadian dollar boosted Transat's operating expenses 2.7% over the year-ago period, prompting investors to flee the stock on the fear of continued margin pressure ahead.

Now what: If the Canadian dollar remains at current levels, Transat expects its current-quarter operating expenses to increase 3.7% year-over-year. “[O]ur cost-control and margin-improvement program, which includes internalization of our narrow-body fleet, is unfolding as planned and delivering the expected results,” President and CEO Jean-Marc Eustache reassured investors. “We are on the right course”.

Given Transat's still-healthy balance sheet and beaten-down stock price, the downside might even be limited enough to bet on that turnaround talk.

CATEGORY

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