



Attention, Air Canada Investors! What You Need to Know About the Airline's Shares Before Next Week

Description

Starting next week, Air Canada (TSX: AC.B) shares will be consolidated and will trade under one single ticker symbol, "AC." The shares of the nation's largest airline currently trades in to classes:

- Class A variable voting shares: Traded under the ticker symbol (TSX: AC.A). This share category may only be held and controlled by non-Canadians.
- Class B voting shares: Traded under the ticker symbol (TSX: AC.B). This share category may only be held and controlled by Canadians.

This change will come into effect on the Toronto Stock Exchange on November 3, 2014.

What does this mean for investors?

Well, the company says this change in stock trading is meant to boost liquidity for its Class A shares. Historically, this category has seen lower trading volumes. All other corporate conditions under the Canada Transportation Act continue to remain unchanged.

The company says the trading of both classes of shares under the same ticker is "limited solely to the administration of trading of the Air Canada shares on the TSX." This change does not affect any amendment to Air Canada's articles of incorporation, by-laws or share capital structure. Nor does it impact the terms and conditions or the voting and ownership restrictions attached to both classes of shares.

The change will also not impact the voting procedures currently followed by the company during shareholder meetings.

What will change would be a more accurate reflection of actual share holdings for Air Canada. This change is a more flexible approach especially during corporate meetings where there are multiple levels of shareholder rights.

Some analysts believe this change in share-trading structure will benefit Air Canada in the long run

given the government of Canada's negotiations of free trade agreements with other countries. These negotiations may eventually make adjustments to constraints on foreign ownership "to levels as high as 49% on a reciprocal basis". Analysts also expect other aviation companies in Canada to follow suite and increase liquidity for all shareholders.

Under Air Canada's current trading structure, each share class is automatically assigned based on the Canadian or non-Canadian status of the holder. If a non-Canadian acquires Air Canada shares, the shareholder will automatically be assigned Class A variable voting shares. It's the same case for a Canadian shareholder and Class B voting shares.

Come Monday of next week, it will be interesting to see how volumes eventually change from there on.

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Date

2025/07/23

Date Created

2014/10/29

Author

sandram

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