



Why Air Canada Stock Increased More Than 10% Last Week!

Description

The stock price of Canada's largest airline **Air Canada** ([TSX:AC](#))(TSX:AC.B) has certainly been on a bumpy ride this year. Investors who have seen nothing but upside with the once-troubled airline over the past decade have experienced a year of relatively slow growth and headwinds, which have largely hampered share price appreciation investors have grown accustomed to of late.

This past week, shares of Air Canada jumped by more than a double-digit margin, as investors digested a couple pieces of news very favorably.

Loyalty program announcement

Perhaps the most notable announcement was the company's proposed definitive share purchase agreement for Amia Canada Inc. – the company most investors will remember was responsible for the Aeroplan rewards program, which has fallen on hard times recently.

Air Canada has partnered with **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Visa Inc.** ([NYSE:V](#)) in this deal, providing solid footing for a new loyalty plan the airline plans to launch in 2020. According to Air Canada's CEO Calin Rovenescu, "Our program is expected to be one of the best loyalty programs in the industry, which will be exciting for our customers and we are looking forward to communicating details later next year."

While consumers may await final details of what will become Air Canada's new loyalty program, Bay Street has digested the news as overwhelmingly positive for the airline, given the obvious benefits of controlling a loyalty program internally as opposed to having such a program managed by a third party.

Buying out Amia and providing investors and patrons with a level of comfort is well worth the \$450 million cash investment (plus the assumption of \$1.9 billion in points-related liabilities). Both TD and Visa will be contributing financing to the deal, which will be one of the most significant loyalty program takeovers in Canadian history.

Black Friday bliss

In addition to the company's Amia deal, Air Canada set a record for the highest single-day sales in the company's near-40 year history on Black Friday this year. The company noted a more than three-fold increase in bookings over comparable volumes this time of year, with Canadians choosing to book more packages and travel experiences this holiday season.

Black Friday, typically an American consumer holiday, has become quite the rage in Canada in recent years, and Air Canada has done better than many Canadian companies in capitalizing on what has turned out to be a very intriguing revenue opportunity.

Bottom line

Air Canada is a company I believe will [continue to thrive](#) in Canada's oligopolistic environment. With only one real competitor, and a quasi-monopoly on key flight routes from Canada abroad, Air Canada has a [unique pricing power](#) and market position compared to its peers, and should be trading at a higher multiple than other airlines at this point in time (despite continuing to trade at a significant valuation discount to those same peers).

Stay Foolish, my friends.

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