



5 Reasons Why Air Canada (TSX:AC) Stock Continues to Make All-Time Highs

Description

Air Canada ([TSX:AC](#))(TSX:AC.B) stock continues to soar to new all-time highs following a strong first quarter that saw it emerge successfully out of the wake of the recent **Boeing 737 MAX** groundings.

Following the crash of Ethiopian Airlines Flight 302 on March 10, 2019, Air Canada, following the directive of Transport Canada as well as governments around the world, announced that it would be grounding 24 of its Boeing 737 MAX aircraft.

While the costs associated with that decision made with just 18 days left in the first quarter will be significant, Calin Rovinescu, the company's president and CEO, says he was proud of his employees who promptly adopted a "can-do" attitude and helped to weather the storm, putting customers first in helping them to avert any travel delays.

Those efforts helped Canada's largest airline to deliver growth in earnings and cash flows during the first quarter, including a 47% improvement year over year in operating profits and 16% growth in earnings before interest, taxes, depreciation, and amortization (EBITDA).

That performance was driven in large part by its acquisition of the Aeroplan loyalty program from **Aimia**, which closed in January for \$450 million.

With the acquisition of [Aeroplan](#), Air Canada hopes it can create an industry-leading loyalty program with the aim to provide unmatched flexibility, choice, and convenience for customers.

Those plans include the expected roll out its own loyalty program sometime in 2020 that will offer existing Aeroplan members the ability to use their existing Aeroplan miles on a one-to-one basis.

In the meantime, it continues to invest in growth opportunities, including a new capacity purchase agreement with **Chorus Aviation** for flying by AC's discount airline, Jazz.

Looking ahead, it hopes it can continue the recent momentum its enjoyed in both capacity growth and revenues booked per available seat mile.

In reporting its first-quarter results, AC's CEO said he's encouraged by strong booking trends, as the company heads into the [busy summer holiday season](#).

Shareholders are hoping that will translate into bottom line results, too.

During the first quarter, the available capacity for seating on Air Canada flights grew by 4.6%, yet what was even more important was that it was able to fill most of those new seats, experiencing growth in passenger volumes of 4.2%, which helped to it drive a 5% year-over-year improvement in passenger yield, or the rate it charges on average per customer.

Together, that helped drive revenues overall 9.4% higher in the first quarter.

Foolish bottom line

Because of uncertainty surrounding the outcome and timing of the Boeing 737 MAX aircraft groundings, on March 15, AC issued a press release indicating it would be suspending its financial guidance for the 2019 fiscal year until further notice.

It did reiterate it's maintaining the guidance it previously provided for fiscal year 2020 and 2021 with respect to annual EBITDA margin, annual returns on capital invested, and cumulative free cash flow over the 2019-21 period.

Meanwhile, the AC shares continue to soar to fresh all-time highs, up 53% so far in 2019.

Based on recent performance, it's hard not to see why.

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