



## Air Canada (TSX:AC) Stock: More Upside on the Horizon?

### Description

**Air Canada** ([TSX:AC](#))(TSX:AC.B) stock has had a very powerful rally this year. Its stock has surged more than 70% so far this year, helped by many favourable factors.

But after this eye-popping run, some questions might be lurking in the minds of investors: has this rally gone too far, and is it the right time to book some profit?

It's almost impossible to predict where the shares of any company will be trading tomorrow, and for this reason, I'm not inclined to put a price tag on [Air Canada stock](#).

That being said, it's not difficult to see that there are still many catalysts out there that could continue to propel Air Canada stock even higher. The airline, which started to transform itself in recent years by pursuing a successful cost-cutting strategy, continues to remain on firm footing and is on course to restructure its operations.

At the end of the second quarter, the airline reported it had already achieved its target of \$250 million in cost savings by year-end. These savings will help the company upgrade its fleet and use the money where it's needed.

### Air Canada stock: positive catalysts

With that internal boost to its earnings, there is a good possibility that oil prices will remain depressed or could even fall if the global economy faces a major headwind due to the escalating trade war between the U.S. and China.

This external advantage will certainly help Air Canada book higher profit, as the jet fuel cost is a major factor in its bottom-line performance.

Air Canada's recent repurchase of the Aeroplan loyalty program is another positive catalyst that is keeping analysts excited about its future prospects. "The growth of Air Canada's loyalty program earnings is a key value creation driver, as it is not only a tailwind for earnings, but it is a more stable earnings stream," **CIBC World Markets** analyst Kevin Chiang wrote in a research note to clients recently.

Air Canada is also trying to buy one of the country's largest travel tour operators, **Transat A.T.** A combination with Transat represents a great opportunity for the airline to compete with the very best in the world when it comes to leisure travel.

Most recently, **Standard & Poor's** upgraded the airline's debt to BB+ from BB in March, leaving Air Canada only one notch away from investment grade. S&P credited the airline's cost-transformation program, lower fuel prices, and falling capital expenditures now that its large spending program to renew its narrow body fleet is almost complete.

## Bottom line

Air Canada has been [a great turnaround stock](#) that has provided massive returns to investors during the past five years. That being said, airlines are also cyclical stocks that could get hit if the economy falters. In my view, it won't be a bad strategy to book some profit after making impressive gains.

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