



Air Canada (TSX:AC) Aeroplan Changes: Should You Buy the Stock Now?

Description

Air Canada ([TSX:AC](#)) just announced sweeping changes to the Aeroplan program. The stock is climbing higher and [contrarian investors](#) want to know if more gains are on the way.

Air Canada Aeroplan news

Air Canada said changes to the Aeroplan program take effect November 8, 2020. Miles will convert to points on a one-to-one basis.

Under the new rules, families will have the opportunity to share points freely to maximize flight choices and flexibility. Assuming one family member is an Aeroplan credit-card holder or Elite Status member, the entire group gets access to the best deals. The program caps the family benefit at eight people.

Another interesting change involves waived fees. Fuel surcharges, for example, disappear under the revamped loyalty program. Unfortunately, customers still get hit with taxes and fees imposed by third parties when using points to book a flight.

Points required for a flight will change from the current flat-rate system based on destinations to a program that allocates the points according to the actual market price of the desired flight.

Air Canada says it intends to expand the benefits offered to the credit-card holders. Merchandise offerings will broaden, as well.

Air Canada improving Aeroplan or not?

In the press release, Air Canada's CEO said, "Air Canada promised an outstanding new Aeroplan that would be among the best travel loyalty programs in the world, and we are fulfilling that promise."

At first glance the added Aeroplan flexibility looks good and existing members hope the company delivers.

It will be interesting, however, to see how the program works regarding the points needed to actually get the flights. Being able to get one-way flights in Canada for as low as 7,500 miles is one appealing feature of the current Aeroplan program. Depending on the flight and cost at the time of booking, the program can be quite attractive.

The existing fixed-rate chart is easy to follow and very clear. The new program will apparently have a Points Prediction Tool that estimates Aeroplan points needed to take an Air Canada flight. Fixed rates will apply for flights on Air Canada's partners.

Should you buy Air Canada stock today?

Air Canada is under severe financial strain right now due to government-imposed travel restrictions.

Canada continues to resist requests from Air Canada and its peers to loosen the restrictions. The U.S. remains to be the worst-hit country in the world. Other major Air Canada destinations are seeing a new wave of COVID-19 cases.

The Q2 report showed how bad things are for Air Canada compared to last year. The airline lost \$1.7 billion in the quarter, only carried 4% of the passengers it served in Q2 2019, and laid off roughly half of its employees in June.

Airline executives across the industry say it could be 2024 before they see capacity return to pre-pandemic levels.

Air Canada trades near \$16.50 per share at the time of writing. The stock sat above \$50 earlier this year and hit a closing low around \$12 in March.

The new Aeroplan program sounds exciting, and traders might be able to pick up a few bucks on the volatility, but buy-and-hold contrarian investors should think carefully about buying the stock right now.

Air Canada will survive. However, until a COVID-19 vaccine is widely available, risks remain elevated for the stock and Air Canada shareholders.

A great loyalty rewards program isn't much help if people are unable or unwilling to fly. I would search for other [cheap stocks](#) that at least offer decent dividends today.

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