



Air Canada (TSX:AC) CEO Announces Retirement: Why Should You Care?

Description

Things don't look that good for **Air Canada** ([TSX:AC](#)), although it is doing better than other airlines. There's good news and bad news, and both are equally balancing the stock in the \$14-\$20 price range. Yesterday, the Transportation Security Administration (TSA) [data showed](#) that traveller numbers crossed the 1 million mark for the first time since March 15. These numbers raised North American airline stocks by as much as 2%. But the glory was short-lived.

This month is overall bearish for the airline industry as big carriers are reporting their earnings. And their earnings figures don't look so good. And if you thought *that* was the bad news, there is more coming for AC.

Air Canada CEO makes some tough decisions

Recently, AC CEO Calin Rovinescu got back to the negotiation table with **Transat A.T.** and [cut the bid price by 75%](#) from \$720 million to \$190 million. And the best part is, the Transat shareholders were just happy that AC didn't cancel the deal. In the current business environment where airlines are downsizing and doing every possible thing to cut costs, only AC has the daring to honour its acquisition.

After all, Rovinescu has a knack for investments; he even co-founded investment bank Genuity Capital Markets back in 2004. He has been the backbone for AC, making some tough decisions. Back in 1988, he was the lead external counsel when AC was privatized. Then in 1999, he also saved AC from a hostile takeover bid for the airline from Onex.

Rovinescu is also the brain behind restructuring AC during its 2003 bankruptcy when the SARS epidemic pushed the airline into multi-million dollar losses and finally bankruptcy. He left AC in 2004 and returned as the airline's CEO in 2009.

Rovinescu pulled AC from the Great Recession and played an instrumental role in changing its financial trajectory. In these 11 years, not only did he made the airline profitable but also ensured consistent profitability. He did so by implementing various strategies like signing long-term labor agreements, buying fuel-efficient aircraft, and launching the low-cost airline Rouge.

These efforts paid off well. Between 2009 and 2019, AC's revenue surged from \$9.7 billion to \$19.13 billion and net income from negative \$27 million to \$1.48 billion. At the end of 2019, AC had the highest liquidity (\$7.38 billion) among the top five North American airlines.

It is this liquidity that saved AC from going bankrupt when the COVID-19 pandemic gobbled up 95% air travel capacity.

Air Canada CEO announces retirement

Wearing the many hats of an external counsel, a strategist, a negotiator, a CEO, and an investment expert, now Rovinescu is announcing his retirement. He was due to retire this year, but he postponed it to February 15, 2021, as he knew he was needed in this once-in-a-generation crisis.

The pandemic crisis pushed all airlines to multi-year losses. With international travel restrictions in place, airlines can do nothing but wait. But Rovinescu once again rose to save the airline. He has been actively pressurizing the Justin Trudeau government to ease travel restrictions.

In these dire times, airlines made some tough calls, and so did AC. Rovinescu slashed 53% of its workforce (20,000 jobs), retired one-third of its fleet size, and set up COVID-19 testing booths. He even waived off his \$1.4 million salary starting April 1. Any amount of effort by airlines is in vain until a coronavirus vaccine is in place.

AC is hoping to fly international once again. Amid this chaos, the change of management adds to the uncertainty. AC CFO Michael Rousseau will replace Rovinescu next year. Rousseau joined AC in the 2009 crisis and has worked alongside Rovinescu to make AC profitable.

Why should you care?

A company's management plays a key role in driving shareholder value. Rovinescu increased AC's return on equity to 35% in 2019 from no returns in 2015. The post-pandemic world will be a rat race for airlines where supply is more than demand. Only the ones that capture the market share will survive. Can the new CEO Michael Rousseau live up to this challenge?

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