



## Air Canada (TSX:AC) CEO Change: What Should Investors Expect?

### Description

**Air Canada** ([TSX:AC](#)) President and CEO Calin Rovinescu performed like an iron man who faced many defining moments. He played a key role in moments like AC's 1988-1989 privatization, protection against a hostile takeover bid in 1999, the 2003-2004 restructuring during bankruptcy, and many more to count. He will retire on February 15, 2021. Amidst the pandemic, will this CEO change bring in a better transformation toward the airline?

### Air Canada: Rovinescu era comes to an end

Calin Rovinescu took the helm of AC as CEO in 2009, when stagnation was showing its effect on the global travel market. He was leading the external counsel with AC during its 1988 privatization and repelled a contrary takeover bid from Onex Corp. in 1999. Later in 2000, he joined AC as head of the strategy and became the chief restructuring officer in 2003 during the spell in bankruptcy code in Air Canada.

He escalated AC to its persistent benefit, buying fuel-efficient aircraft, launching reasonable supplementary Rouge, developing long-lasting labor agreement, and propelling AC revenue to a new crest of \$19.13 billion last year.

As an expert diplomat, he soldered his reputation with \$497 million repurchases of Aeroplan last year. Later he announced a [re-established deal](#) to buy rival **Transat A.T** for \$190 million rather than the initial bid of \$720 million. Rovinescu received \$12.87 million in total compensation in 2019. As 2020 emerged, he was sitting on the throne of the dominating airline chasing the earnings and liquidity. AC's share price shot up to \$52, which was far away from the cents stock price in 2009.

The year 2020 had globally hit with the COVID-19 catastrophe. AC's passenger revenue dropped 95% year over year in the second quarter. Rovinescu made some tough decisions, like 20,000 layoffs, or 53% of AC's workforce, to fight the COVID-19 crisis. Before the pandemic outbreak, Rovinescu's turnaround of AC left the airline with \$7.4 billion cash in hand. AC was at a better liquidity stage in comparison with the four biggest U.S. carriers.

AC is lucky to have Rovinescu agreeing to postpone his retirement until next year to battle out the disaster. The company also saw growth of 1000%, in the Rovinescu era, and racked up more than \$1.4 billion in operating income last year.

## Air Canada's leadership: From Rovinescu to Rousseau

The challenge lies in what Rovinescu's successor has in the future for AC. The command will [now shift to Michael Rousseau](#), who will complement the next step of the way after Rovinescu.

Michael Rousseau joined Air Canada as executive VP and CFO in 2007 and was made the deputy CEO in December 2018. Prior to AC, he was executive vice president and CFO of HBC in 2007.

Rousseau has supervised various areas of AC, which includes low-cost airline subsidiary Air Canada Rouge, corporate real estate, procurement, fleet planning, and mergers and acquisitions. He was also involved in AC's transformation. He strengthened the balance sheet structure and gave significant shareholder value.

But am starting to wonder whether Rousseau can live up to shareholders' expectations. Rovinescu has been successful in taking tough decisions in the best interest of his shareholders.

Rousseau has largely been a back-office player. He successfully secured \$6 billion in liquidity this year. Before the pandemic, he also changed the company's trajectory by raising its pension surplus to \$2.6 billion in 2019 from a \$3.7 billion deficit in 2013.

Analyzing his work and team-oriented nature, Peter Letko, the largest shareholder of AC, showed confidence in Rousseau's leadership. This time around, Rousseau might get more space to spread his wings being the front man for AC from February 2021 onward.

However, investors are still thinking about whether Rousseau has the capacity and reliability to be the next CEO of Air Canada. I suppose his straightforward advocacy will seal the aid from the Canadian government. Rousseau has many more years to bear fruits for AC.

## Stay the course for now!

AC stock will continue to hover in the price range of \$14-\$20. There are chances for Michael Rousseau to win the throne and shareholders' trust. For now, I choose to continue looking for every move in the entire transformation and understand the approach toward the aviation sector's growth.

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