

# Air Canada's quarterly profits soar as travel demand stays high

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Air Canada planes are parked at Toronto Pearson International Airport, in Mississauga, Ont., on April 28, 2021.

CARLOS OSORIO/REUTERS

Air Canada AC-T reported surging profits in its latest quarter as consumers continued to spend on travel, despite higher inflation and interest rates weighing on their wallets.

The country's biggest airline saw net income for its third quarter jump to \$1.25-billion from a half-billion-dollar loss in the same period a year earlier.

On Monday, chief executive Michael Rousseau said demand remains "very stable."

Passenger revenues for the quarter ended Sept. 30 leaped 22 per cent year-over-year, he said. Adjusted earnings also surpassed those from 2019, the last year before the COVID-19 pandemic wreaked havoc on the travel industry.

The frothy earnings arrived despite lower flight capacity than four years ago and business from corporate customers sitting 25 per cent to 30 per cent below prepandemic demand, said network planning head Mark Galardo.

The smaller fleet may have contributed to a relatively weak on-time performance, which saw Air Canada rank ninth out of 10 major North American airlines, according to aviation data firm Cirium. Some 68 per cent of the carrier's 32,000-plus flights in September arrived on time, versus between 76 per cent and 86 per cent for the top seven airlines, including WestJet.

Mr. Rousseau pointed to Air Canada's nearly 90-per-cent load factor – a key metric measuring the proportion of available seats filled by passengers – as one reason for the delays.

"While this signals that we use our assets very effectively, one consequence is it puts extra pressure on the operations. That said, our on-time performance progressively improved throughout the quarter," he told analysts on a conference call.

Executives also acknowledged stiffening competition in the domestic, cross-border and sun destination markets, as Porter Airlines, Lynx Air and Flair Airlines embark on rapid expansions.

“Competition will continue to evolve. In particular, we’ve seen some moves into seasonal markets,” Mr. Galardo said, referring to those airlines’ heightened focus on sun-splashed getaways.

“We know we must continue to invest in our business and continuously improve to remain competitive and attract customers and maintain their loyalty,” Mr. Rousseau added.

Net income amounted to \$3.08 per diluted share for the quarter ended Sept. 30 compared with a loss of \$1.42 per diluted share a year earlier, the airline said.

Operating revenue totalled \$6.34-billion, up 19 per cent from \$5.32-billion in the same quarter last year, boosted by higher passenger revenues.

On an adjusted basis, Air Canada says it earned \$3.41 per diluted share in its latest quarter compared with an adjusted profit of \$1.07 per diluted share in the same quarter last year, far exceeding analyst predictions.

Analysts on average had expected an adjusted profit of \$2.15 per share for the quarter, according to estimates compiled by financial markets data firm Refinitiv.

In its outlook, Air Canada said its adjusted cost per available seat mile for 2023 is expected to be about 1.5 per cent to 2.25 per cent above 2022 levels compared with earlier expectations its adjusted CASM would rise 0.5 per cent to 1.5 per cent.

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