

## WestJet Airlines Ltd. Soars Through its Second Quarter

### Description

Much has changed since **WestJet Airlines Ltd.** (TSX: WJA) first entered the market in the 1990s, and all these years later WestJet Airlines is now a major force in Canada's aviation industry. What was once a "fly-by night" (pun very much intended) operation in Calgary is now producing quarter after quarter of impressive earnings.

### The flight numbers are in

The second quarter turned out to be a very successful one for the company, as it broke its previous record for quarterly revenue. It earned \$930 million in revenue, up from \$843 million during the same period last year, a boost of 10.3%. It appears that WestJet's experiment of creating three different tiers of fare options is paying off. The program offers passengers choices between Econo, Flex, and Plus, which gives passengers access to better seating and cheaper insurance options.

Net earnings also took off this quarter, totaling \$51.8 million, up from \$44.7 million in Q2 2013. When these results are broken down into EPS, the total was \$0.40 per share, up from \$0.34 per share last year. This is an increase of 17.6% and soared past analysts' expectations of \$0.27 per share.

Load factor in the quarter doesn't look as impressive; it was 79.6%, up from 79.4% in last year's quarter. However, looking at the growth of total guests in the quarter justifies the record revenue. A total of 847,545 guests flew with WestJet in the past quarter, up from 768,612 guests during the same period last year. It seems that the 13-week experiment in 24/7 advertising on its own channel with **Rogers Communications Inc's** ([TSX: RCI.B](#))([NYSE: RCI](#)) cable division during the winter may have had some impact.

### New expansions

These numbers are encouraging WestJet to continue its expansion plans, with several new routes announced along with the quarterly report. Loreto, Mexico, will become one of WestJet's newest ports of call, with service available from Calgary beginning in February. This flight comes with an estimated price tag of \$269.63 per person after taxes and fees. Another new route for the main WestJet banner is going to be service to Fort Lauderdale from Winnipeg starting this November, just in time to escape the deep freeze and unplowed roads.

WestJet's discount regional carrier Encore wasn't overlooked in terms of new routes, as its newly activated hub in Toronto will begin offering service to Fredericton, New Brunswick. This is the first new route added since the initial [announcement to expand the carrier's network eastward](#). In order to keep up with the growing Encore network, WestJet announced that it had ordered four additional Q-400 Turboprop aircraft from **Bombardier** ([TSX: BBD.B](#)). These will be added to its existing fleet of 13 Q-400s and keep the company on track to reach the 30 aircraft originally projected for service.

## The turbulent loonie

All of these expansions in the U.S. and Mexico make the company more vulnerable to the current woes of the loonie, which closed Thursday at U.S.\$0.9162. Back in April, WestJet reported that for every cent that the loonie fell, its operating costs would rise by \$13 million. This is due to the increased price of fuel paid in U.S. dollars, which makes up \$11 million of the estimated operational increases.

Another area of turbulence for the company is the current rumour that **Southwest Airlines Co** ([NYSE: LUV](#)) could be looking to expand northward. Following the release, the stock is looking healthy, closing Thursday at \$28.07, near its 52-week high and still a few dollars short of its average price target of \$33.57.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:LUV (Southwest Airlines Co.)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:BBD.B (Bombardier)
4. TSX:RCI.B (Rogers Communications Inc.)

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