

## 3 Reasons to Invest in WestJet Airlines Ltd. Today

### Description

**WestJet Airlines Ltd.** (TSX: WJA) is one of the largest airlines in North America and its stock has been one of the market's best performers in 2014, rallying more than 23% as the TSX Composite Index has risen just 0.5%. The stock is up more than 2% in December and I think it could continue higher from here, so let's take a look at three of the top reasons you should consider investing today.

#### 1. Record third-quarter earnings have supported the rally

On November 4, WestJet released record third-quarter earnings and its stock has responded by rallying about 7% in the weeks since. Here's a quick summary of what the company accomplished during the quarter:

- Adjusted net earnings increased 31.2% to \$85.4 million.
- Adjusted earnings per share increased 32% to \$0.66.
- Total revenue increased 9.2% to \$1.01 billion.
- Operating profit increased 27.1% to \$125.83 million.
- The operating margin expanded 180 basis points to 12.5%.
- Available seat miles (ASMs) increased 6.4% to 6.5 billion.
- Revenue passenger miles (RPMs) increased 6.8% to 5.4 billion.
- Generated \$114.2 million in free cash flow.
- Ended the quarter with \$1.42 billion in cash and cash equivalents.

Year-to-date, the company's adjusted earnings per share have increased 16.6% to \$1.76 and its revenue has increased 9% to \$2.98 billion. It's safe to say it has momentum on its side to begin the fourth quarter.

#### 2. Inexpensive current and forward valuations

At current levels, WestJet's stock trades at about 16.8 times its trailing 12 months earnings, which is very inexpensive given the growth the company is currently experiencing. On a forward basis, the valuations become even more enticing, as the stock trades at less than 14.5 times fiscal 2014's earnings per share estimates of \$2.37 and a mere 11.3 times fiscal 2015's earnings per share estimates of \$3.03.

I think WestJet's stock could consistently command a fair multiple of about 18, which would place shares upwards of \$54.50 by the conclusion of fiscal 2015, representing growth of approximately 59% from today's levels.

#### 3. A stable and growing dividend

WestJet pays a quarterly dividend of \$0.12 per share, or \$0.48 annually, giving it a healthy 1.4% yield at current levels. The dividend is not large by any means, but it has been grown consistently, as the

company has raised it four times in the last four years. Also, the dividend is very stable and is not in danger of reduction or termination in the near future, as WestJet generates ample free cash flow each quarter and year.

### Should you buy shares of WestJet today?

WestJet Airlines' stock has risen more than 23% year-to-date and I think it could continue higher from here, because it has the support of strong earnings growth, it trades at inexpensive current and forward valuations, and because it has a stable 1.4% dividend that has been raised each of the last four years. With all of this information in mind, I think long-term investors should take a closer look and strongly consider initiating positions in WestJet Airlines today.

### CATEGORY

1. Investing

### Category

1. Investing

### Date

2025/10/01

### Date Created

2014/12/16

### Author

jsolitro

default watermark

default watermark