

Why WestJet Airlines Ltd. Is Your Top Airline Pick for 2015

Description

We're now into our first full week of 2015 and investors are combing through their favorite sectors looking for the best investment options available. Unlike previous years, we already see a glimmer of what kind of a year it is going to be for the markets thanks to the current crude price war.

This makes it even more important to get your portfolio off to a good start and we are going to kick things off by looking at the top airline pick on the TSX.

Go WestJet, young man

My favorite airline for 2015 is **WestJet Airlines Ltd.** (TSX:WJA), which is coming off of a great year financially and continues to maintain its stellar brand loyalty among customers. This is despite the introduction of checked bag fees, which are expected to generate around \$100 million in additional revenues per year.

The biggest boost WestJet is looking to take advantage of in 2015 is the lower price of fuel. Crude is now \$52.27 and as crude tumbles so does the price of jet fuel. In its Q3 2014 report WestJet anticipated its fuel costs to average out at US\$102 per barrel, but prices have now tumbled to a North American average of US\$73.00. This is quite the discount for the airline and will do wonders to boost the airlines operating margins, which were 12.5% in the previous quarter.

The only factor that could negate these saving is the loonie, which is down to \$0.849, although the loonie is expected to fare better than crude in the near future. This will help WestJet stay ahead and make for some rather interesting net income numbers in the first two quarters of 2015.

Increased expansions

On the back of several months of record load factors and the continued success of WestJet's discount carrier Encore, more expansions are on the horizon. There is already talk of WestJet doubling Encore's fleet of Bombardier Q-400 turbo props to 28 by 2016 to keep up with demand.

Plans are already in place for Encore to begin service from its new eastern hub in Toronto to Fredericton N.B. in April. Further expansions to Ottawa, Montreal, and Quebec City are slated for later in the year. WestJet is hoping to duplicate the same success Encore has seen in Western Canada in Eastern and Atlantic Canada.

Marketing mastery

Two things WestJet has always been very successful with is brand loyalty and marketing, which have helped propel WestJet to where it is today. WestJet recently launched its newest marketing strategy where it gave Christmas gifts to a community in need in the Dominican Republic, a country which is one of its leisure destinations.

The advertisement has been viewed nearly 40 million times on YouTube. A similar strategy last year doubled WestJet's web traffic and saw bookings rise by 77% and revenues rise by 86% as compared to the same period in 2012.

Stock prices preparing for takeoff

WestJet's stock closed Friday at \$33.12 and while it is close to its 52-week high of \$34.95, there is still plenty of growth available before the stock reaches its average price target of \$38.00. While there are no guarantees in the stock market, WestJet is poised to take advantage of a year that will be merciless to many stocks but very profitable to others.

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