

Should You Buy WestJet Airlines Ltd. Following its Record Q4 Earnings?

Description

WestJet Airlines Ltd. (TSX:WJA), one of North America's largest airlines, released record fourth-quarter earnings this morning and its stock has responded by moving higher. Let's take a look at the most important statistics from the report to determine if we should consider initiating long-term positions today or wait for a better entry point in the trading sessions ahead instead.

The record-setting results

Here's a summary of WestJet's fourth-quarter earnings compared to its results in the same period a year ago.

Metric	Reported	Year Ago
Earnings Per Share	\$0.70	\$0.52
Revenue	\$994.4 million	\$926.42 million

Source: *Financial Times*

WestJet's adjusted earnings per share increased 34.6% and its revenue increased 7.3% compared to the fourth-quarter of fiscal 2013, driven by adjusted net income increasing 33.8% to \$90.7 million, revenues from guests increasing 5.8% to \$884.77 million, and other revenues increasing 21.8% to \$109.62 million. The company also proudly noted that this marked its 39th consecutive profitable quarter.

Here's a breakdown of ten other important statistics and ratios from the report compared to the year-ago period:

1. Segment guests increased 5.9% to 4.83 million
2. Operating profit increased 37.3% to \$139.61 million
3. The operating margin expanded 300 basis points to 14%
4. Available seat miles (ASMs) increased 7.3% to 6.38 billion
5. Revenue passenger miles (RPMs) increased 6.5% to 5.08 billion
6. Cost per available seat mile (CASM) decreased 3.5% to 13.4 cents
7. Load factor contracted 60 basis points to 79.7%
8. Paid out a quarterly dividend of \$0.12 per share for a total cost of \$15.33 million
9. Repurchased \$9.86 million worth of its common stock
10. Ended the quarter with \$1.36 billion in cash and cash equivalents

Lastly, WestJet announced a 16.7% increase to its quarterly dividend to \$0.14 per share, and the first payment will come on March 31 to shareholders of record at the close of business on March 18.

Is now the time to buy shares of WestJet Airlines?

WestJet Airlines is one of the largest airliners in North America, and increased customer traffic led it to a very strong fourth-quarter performance. The company achieved year-over-year growth of more than 7% in net income, earnings per share, revenue, and operating profit. It did this while expanding its margins, returning \$25.19 million to shareholders in the form of dividends and share repurchases, and raising its quarterly dividend, and its stock has responded accordingly by moving higher.

I think WestJet Airlines represents a great long-term investment opportunity today, even after the pop in its stock, because it still trades at low forward valuations, including just 13.5 times fiscal 2015's estimated earnings per share of \$2.39 and a mere 9.5 times fiscal 2016's estimated earnings per share of \$3.38, both of which are very inexpensive compared to its five-year average price-to-earnings multiple of 13.8 and the TSX Composite Index's average multiple of 16.1.

Furthermore, the company now pays an annual dividend of \$0.56 per share, which gives its stock a generous 1.7% yield, and it has increased its dividend five times since 2010. I think this makes its stock both a value and dividend growth play today.

I think WestJet Airlines represents one of the best long-term investment opportunities in the market today, so Foolish investors should take a closer look and strongly consider initiating positions.

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1. Investing

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Date

2025/10/01

Date Created

2015/02/03

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