



## WestJet Airlines Ltd.'s Expansion Targets Rival's Routes

### Description

**WestJet Airlines Ltd.** (TSX:WJA) is an airliner that has never backed down from a challenge. The company constantly pushes the envelope in terms of what an airliner offers—from competitively priced low fares to seat-back entertainment options and luggage allowances.

It looks like the company is about to push that envelope further through an aggressive expansion based on new international destinations while continuing to offer low-priced fares.

### London calling

Earlier this year WestJet announced plans to order several wide-body Boeing 767-300 jets. For an airliner that predominately flies the Boeing 737, the 767 is a major jump in passengers, cargo, and range. By comparison, WestJet's fleet of 737s can fly up to 5,600 km with 170 passengers, whereas the new 767-300 can fly 9,500 km with 262 passengers.

With the new plane announcement, WestJet stated that they would be commencing flights to London in the spring of 2016, representing the airliner's first major step across the Atlantic.

WestJet will be flying 28 flights a week from six Canadian cities to London's Gatwick airport starting in May. The six cities mentioned are Vancouver, Edmonton, Calgary, Winnipeg, Toronto, and St. John's.

When the route was announced several months ago, WestJet offered the following quote: "We will offer Canadians from cities across our network the chance to fly non-stop to Europe and other regions at prices not seen in recent memory." As of last week, we now know what that cost is \$199-299 (based on departure city) one way, and that includes taxes and fees.

The new route will pit the airline directly against **Air Canada** on a prime business route. Air Canada currently offers 77 flights a week from eight Canadian cities to London's Heathrow airport.

WestJet's chief executive Gregg Saretsky isn't coy about further expansion, noting in a phone interview that "Canada is nicely geographically situated to get—in 11 hours—to almost every business centre in the world; we can make Asia, we can make continental Europe, Latin America, North Africa. Clearly we

haven't disclosed what's next, but all of those are possibilities."

Two points from that quote resonate with me as both a customer of WestJet and as an investor. First, WestJet is serious about expansion, specifically into areas that they have not served in the past—long-haul destinations. Secondly, WestJet's focus is on business centres. This is another change from the snowbird- and sun-destination stereotype the airline primarily marketed to in the past.

Both of these points can lead to lucrative amounts of revenue and growth for the company. Air Canada will now be subject to competition on these routes from within Canada, which is a victory for consumers.

With WestJet trading at just over \$25, investors wishing to diversify their portfolios by adding an airliner will not be disappointed. In my opinion, WestJet is a great option. Given the expansion plans and history and new route plans, the stock is a bargain right now.

## CATEGORY

1. Investing

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