



WestJet Airlines Ltd.: Profits Continue to Climb

Description

For **WestJet Airlines Ltd.** (TSX:WJA), business as usual means beating the previous quarter's results and keeping investors smiling. The company posted third-quarter results this week that not only shattered expectations, but gave investors a taste of what is to come in terms of new revenue.

Third-quarter results are in

The company posted a third-quarter net profit of \$101.8 million, nearly doubling net income from the same quarter last year (\$55.2 million). Revenues came in at \$1.05 billion for an operating profit of \$159.5 million. This is an impressive 26.8% increase over the same quarter last year.

Net earnings came in at 82 cents per share to \$101.8 million, whereas analysts had expected 75 cents per share. This is a whopping 95% increase over the same quarter last year.

Part of that great quarter has to do with falling fuel prices. During the most recent quarter, WestJet paid \$206.9 million in fuel costs, representing a drop in 27.9% over the previous quarter.

To put WestJet's good performance into perspective, the company has now posted 42 consecutive quarters with results in the black.

And on the heels of a great record-breaking quarter, WestJet issued another update.

More fees for travelers are coming

WestJet also announced some fare and fee increases for passengers. Economy-class passengers flying to Europe will no longer have their first bag checked for free. The company will also increase what is charged for a number of seating upgrades, such as sitting in the exit row.

WestJet recently outlined a plan for a bold expansion into the lucrative trans-Atlantic market, which is now dominated by **Air Canada**.

The new fees continue a trend that airlines are adopting in itemizing or unbundling the price of an air

ticket, charging for individual items that used to be free, such as meal services, baggage allowance, and headsets.

WestJet is expecting this initiative to generate up to \$25 million in new revenue with few passenger complaints. WestJet CEO Greg Saretsky sees these costs increases as the industry norm, noting that competitors have these charges already in place for significantly higher fares.

As an aside, Air Canada does offer a first checked bag for free on international flights and issued a statement on the heels of its own quarterly results session that they have no intention of adding that as a charge just because WestJet did. Granted, the fares that Air Canada charge are more expensive than what WestJet charges for the same route.

WestJet currently trades just over \$23. Despite the great performance of the company, the stock is down 30% year-to-date, making the company a bargain price for some investors.

In my opinion, WestJet remains a great option for investors who would like to diversify their portfolio and are seeking long-term growth. The company is aggressively expanding and continues to outperform analysts' expectations.

CATEGORY

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