



WestJet Airlines Ltd. Is Still a Great Long-Term Investment

Description

When looking back over the past 30 days, you could say that **WestJet Airlines Ltd.** (TSX:WJA) has had both a good and bad month.

The company posted weaker-than-expected results for the fourth quarter back in February, which led to a sell-off of the stock; it dropped over 11% the following day. Since then, the company stock has clawed its way back up to where it currently stands at \$18.43—it's up nearly 13% for the month.

Despite this short-term blip in price, I think that WestJet is a great investment, and here are a couple of reasons why.

WestJet knows where the market is not growing

WestJet has roots in Alberta. The company started out with flights from Calgary and Edmonton and has maintained a strong Albertan presence throughout the years.

The drop in oil prices had a profound impact on businesses in Alberta, and WestJet was one of those businesses. Part of that fourth-quarter drop can be attributed to the drop in traffic to and from the locations in Alberta that WestJet serves.

WestJet made the difficult decision earlier this year to redirect traffic to other routes and cut routes in and out of Alberta because of weak demand. This proved to be a difficult, but it was the correct move for the airline.

WestJet knows where the market is growing

The company is heavily expanding its international market. WestJet has up, until fairly recently, been focused on the domestic and trans-border market to the U.S. This changed last fall when the company announced an expansion to the European market using new, larger wide-body planes.

Flights to London's Gatwick airport from six Canadian cities are planned to begin in the spring when the airline receives new Boeing 767s. You may think that is an ambitious step into the international

market, but consider this: there are an estimated two million people flying to London from Canadian cities each year. That's a lot of potential luggage fees and airfare revenue for the company.

And the airline isn't stopping there.

WestJet CEO Gregg Saretsky recently noted the possibility of flying to points in Asia at some point in the future. The airline already has an agreement in place with Hainan Airlines that will offer flights to Beijing from Calgary starting in June.

If the demand is there and current options are priced higher, that would allow WestJet to come in on a lower price point as a competitor and take some of that market share.

In my opinion, WestJet remains a great option for investors looking to diversify their portfolios with an airline stock. The recent dip in stock price has nearly been erased, but the stock is still a great long-term option. Despite the drop from the recent quarterly results, the airline has had an incredible rise throughout the years and continues to have the vision and courage to expand into new routes.

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Author

dafxentiou

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