



WestJet Airlines Ltd. Can Help Your Portfolio Grow

Description

WestJet Airlines Ltd. (TSX:WJA) recently celebrated 20 years of flying across Canada's skies. The airline started out small and has gradually become the second-largest airline in the country.

While the carrier has excelled for most of that time by posting results that met or exceeded analysts' expectations, in the past few months the company has missed on earnings for the first time in several years.

Let's take a look at what this means for investors, and if the company is still a viable addition to your portfolio.

First, how is WestJet doing?

WestJet currently trades just below \$21. The company has bounced up and down for some time now and currently shows a year-to-date return of 3.63%. Over the past three months the stock has grown by 10%; expanding this out to a full six-months shows the stock down by over 15%.

So the stock has had a bit of a rough time the past few months for a myriad of reasons.

In the most recent quarter WestJet posted weaker-than-expected results, which led to a sell-off in the stock. Analysts were expecting the company to post revenues of \$973.85 million for an adjusted EPS of \$0.63. What the company posted was an EPS of \$0.51 per share on revenues of \$958.72 million.

By way of comparison, in the prior quarter WestJet posted an EPS of \$0.77.

While the company did miss on the earnings forecast for the quarter, there is still a significant upside to the stock, and investors realized this as the stock dropped over 11% in one day after the results were reported, but it has since risen back to the current level near \$21.

WestJet contracts one market, expands another

One of the reasons for that drop in revenue was due to the ongoing troubles in the oil industry. WestJet

is at its core Alberta-based business and, up until recently, this was reflected in the volume of flights flying in and out of the province.

With the current depressed state of the oil industry, planes were leaving the province with lower load levels, which forced the company to re-route planes and routes to high-traffic areas of the country—specifically the eastern parts of the country, which have seen a significant increase in traffic.

Looking beyond the domestic routes, WestJet has also started expanding into international markets. The company has leased a number of wide-body planes that will start ferrying passengers across the Atlantic to new European routes, directly setting the airline up to compete with **Air Canada** on the lucrative international business routes.

WestJet remains a strong investment option for any portfolio. While it did post one less-than-favourable quarter, the subsequent drop in stock price became an opportune moment to shore up additional holdings of the company at a significant discount.

As the airline continues to aggressively push into international routes, new, more lucrative revenue streams will surface that will leave investors particularly pleased over the long term.

CATEGORY

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