



Is WestJet Airlines Ltd. Still a Good Investment?

Description

WestJet Airlines Ltd. (TSX:WJA) is the second-largest airline in the country. The airline started out two decades ago as a small, low-cost airline serving just five destinations in the west of the country. Since then the company has steadily expanded, adding new routes and planes.

WestJet has posted some very impressive results over the past few years, and the company recently announced the 44th consecutive quarter of profits with the latest set of results.

First-quarter results

WestJet's first-quarter results saw earnings plunge by 38%. The company earned \$0.71 per share, or \$87.6 million on \$1.03 billion in revenue. For the same quarter last year, WestJet posted a record profit of \$140.7 million, or \$1.09 per share, on \$1.08 billion in revenue.

The weakness in Alberta's economy was the primary reason for the drop in profits and, as a result, the company was forced to delay the delivery of some new aircraft and to return several leased aircraft for the first time in the company's history. Earlier this year, WestJet re-routed planes to the east of the country, where demand continues to be strong.

Despite the plunge in profits, overall the company did manage to post the second-highest first-quarter earnings per share in the company's history.

WestJet has also revised growth forecasts for 2016; year-over-year growth of 7-9% is now being forecasted, which is down from the previous guidance of 7-10%. Most of that growth is slated to come from the added capacity of WestJet's new wide-body jets that will be used for new international routes.

International routes are starting

WestJet announced last year that the company was expanding further into the international trans-Atlantic market by commencing flights to London from several cities using new wide-body jets.

Those international flights are starting this week; 56 weekly flights are scheduled from Vancouver,

Toronto, Calgary, and St. John's to London.

WestJet has stated on several occasions that London isn't the only international destination it's planning to fly to. The new wide-body Boeing 767 jets the company is using for the flights have a 12-hour range, which, WestJet CEO Greg Saretsky noted, "brings geographies like South America and Asia and other points in Europe all in play. And so ultimately those are all opportunities for WestJet."

What the results mean for WestJet and investors

WestJet's stock price dropped 5% following the quarterly update and is currently sitting below \$20. Year-to-date, the company is down by 2.5%, and over the course of a full year, the stock is down by 28%.

Despite the temporary drop in price and the weak quarter, the company remains a great option for investors looking at long-term growth. The company's new international service has been positively received, and it believes that these new routes could fuel growth and be a source for new revenue streams.

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