



## President Trump Could Send WestJet Airlines Ltd. Flying

### Description

**WestJet Airlines Ltd.** (TSX:WJA) is a great value stock that is trading at a huge discount to its intrinsic value at current levels. There's no question that the airlines are riding a cyclical upswing, and that's why Warren Buffett made a huge bet on the American airline stocks. WestJet expects a higher revenue in 2017 thanks to the strong momentum experienced by the upswing. The company may also enjoy a boost in passengers due to President Trump's travel ban.

Gregg Saretsky, the CEO of WestJet, believes that the recently announced U.S. travel ban could present a short-term tailwind for the company: "As border issues and political issues continue to intensify I think there is perhaps an opportunity for Canada to benefit from increasing foreign tourist arrivals."

There's no question that a large number of foreign tourists which are banned from entering the U.S. will opt to travel to Canada until things settle down south of the border. The U.S. travel ban may bring more business to Canadian airlines like WestJet for the short term, but even if the ban doesn't make a huge impact to the company's top line, the improving economic environment will be a tailwind for the stock to rally higher.

Although jet fuel prices are increasing, I still believe the number of passengers will increase moving forward. WestJet filled approximately 80.2% of its airline seats in Q4 2016, which was higher than the 78.4% reported during Q4 2015.

The management team is expected to continue to aggressively cut costs to increase the company's long-term operational efficiency. WestJet has done a fantastic job of keeping costs low, and that's why the company was able to rebound from the Great Recession, while its peer **Air Canada** has still not fully rebounded 10 years later.

WestJet is too cheap to ignore right now. The stock currently trades at an 8.9 price-to-earnings multiple, 1.3 price-to-book multiple, 0.7 price-to-sales multiple, and a 3.4 price-to-cash flow multiple, all of which are much lower than the company's five-year historical average multiples of 11.4, 1.8, 0.8, and 4.9, respectively. The stock also offers a very attractive 2.5% yield, which is 0.6% more than the

company normally offers. Investors in the stock can also expect a large dividend raise later in the year.

The stock is a steal right now, but be sure to take profits off the table when you have the chance. The airline industry is extremely cyclical, and there's a very good chance that you could lose all of your gains when the airlines experience a cyclical downturn.

Stay smart. Stay hungry. Stay Foolish.

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