



Why WestJet Airlines Ltd. Is up Over 3% Today

Description

WestJet Airlines Ltd. (TSX:WJA), Canada's second-largest airline company, released its second-quarter earnings results this morning, and its stock has responded by rising more than 3%. Let's break down the quarterly results and the fundamentals of its stock to determine if the rally can continue in the days and weeks ahead and if we should be long-term buyers today.

A strong quarter of double-digit top- and bottom-line growth

Here's a summary of 12 of the most notable statistics from WestJet's three-month period ended on June 30, 2017, compared with the year-ago period:

Metric	Q2 2017	Q2 2016	Change
Guest revenues	\$897.86 million	\$814.4 million	10.2%
Other revenues	\$157.16 million	\$134.91 million	16.5%
Total revenues	\$1,055.03 million	\$949.31 million	11.1%
Earnings from operations	\$78.04 million	\$61.43 million	27%
Operating margin	7.4%	6.5%	90 basis points
Net earnings	\$48.37 million	\$36.65 million	32%
Net earnings per share ("EPS")	\$0.41	\$0.30	36.7%
Operating cash flow	\$181.89 million	\$144.67 million	25.7%
Segment guests	5.91 million	5.3 million	11.5%
Available seat miles (billions)	7.564	7.116	6.3%
Revenue passenger miles (billions)	6.26	5.749	8.9%
Fleet size at end of quarter	159	148	7.4%

Should you buy WestJet today?

It was a great quarter overall for WestJet, and the results surpassed the consensus estimates of analysts polled by **Thomson Reuters**, which called for EPS of \$0.28 on revenue of \$1.05 billion. I think

the market has responded correctly by sending its stock higher, and I think it still represents a great long-term investment opportunity today for two reasons.

First, it still trades at inexpensive forward valuations. WestJet's stock trades at 11.5 times this year's estimated EPS of \$2.23, which seems fair and sustainable, but it trades at just 9.4 times fiscal 2018's estimated EPS of \$2.71, which is very inexpensive compared with its current price-to-earnings multiple and its five-year average multiple of 11.1. Its valuations are also inexpensive given its estimated 7.8% long-term earnings-growth rate. As Foolish investors, we must always stay focused on the long term, so we can't let current valuations cloud our views.

Second, it has a solid dividend. WestJet currently pays a quarterly dividend of \$0.14 per share, equal to \$0.56 per share annually, which gives it a respectable 2.2% yield. It's also important to note that the company has raised its dividend five times since it began paying one in 2010, and I think it could announce another hike in 2018 if it can keep the momentum going from the second quarter into the second half of the year.

With all of the information provided above in mind, I think WestJet represents an attractive long-term investment opportunity, but I must say that I do prefer [Air Canada](#) over WestJet today.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/07/06

Date Created

2017/08/01

Author

jsolitro

default watermark