



Will WestJet Airlines Ltd. Take Off and Fly as High as Air Canada?

Description

WestJet Airlines Ltd. (TSX:WJA) investors are probably disappointed with their pick, despite shares soaring ~21% over the past year. This is an annual return that most investors dream of, but for WestJet shareholders, they've identified an opportunity in the airlines, but they would have more than doubled their money with **Air Canada** ([TSX:AC](#))(TSX:AC.B) and the impressive ~123% return it delivered over the past year.

WestJet has been one of the few laggards in the high-flying airline industry, but should investors still hang onto their WestJet shares? Or is it time to switch airlines?

WestJet is reaping the rewards of the cyclical upswing in the airlines; however, its excessive exposure to the struggling province of Alberta isn't doing the stock any favours. The Albertan economy is weak, and it'll probably remain weak for the near term. Because of this, I expect the Albertan exposure to continue to weigh down WestJet from being able to take off and fly as high as its peer Air Canada.

WestJet's ROIC is trending downward, which has to be disturbing for shareholders. The management has addressed this; however, it'll be a difficult to reverse three straight quarters of ROIC declines. Management hopes to bring the ROIC back up to the ~16% levels from the ~7% levels, which is possible, but is it likely? We'll have to wait and see.

So, back to the grudge match between WestJet and Air Canada. Is it too late to jump planes?

Despite being a laggard in the industry to date, WestJet's ultra-low-cost carrier (ULCC) Swoop, is expected to go online. But could this mean a reversal of fortunes for Canada's two top airlines?

"Air Canada could be in for a big surprise once WestJet and the rest of the ULCCs get up and running. It might have to work for its money." says fellow Fool contributor Will Ashworth.

ULCCs like Swoop offer Canadians a rate that's ~40% less than regular fares. The service breaks it down to the bare minimums with options to add additional features should a customer wish to have them.

I don't know about you, but I'd opt for the cheapest flight no matter what, even if that means being squeezed in a small space for an extended duration of time. The savings for consumers are huge, and it'll be more apparent once the next recession shows its ugly face.

Mr. Ashworth seems to think that WestJet's [earlier entrance](#) to the ULCC space may be key to getting shares of WestJet to fly higher, and I think he's right on the money.

While it may be tempting to swap your WJA shares for AC, it's probably a better idea to hang on to your shares of WJA for now. Air Canada is still a great company that'll likely fly even higher, but at these levels, if I had to choose between the two, I'd probably go with WestJet because I think Swoop could send shares flying.

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joefrenette

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