



WestJet Airlines Ltd. Breaks Many Records in a Strong Q3

Description

WestJet Airlines Ltd. (TSX:WJA) reported its third-quarter results today. The company posted a profitable quarter for the 50th consecutive time. Earnings reached record highs of \$138.4 million, which were up 19% year over year. The company also achieved a quarterly record with 6.5 million guests flown during the period, as revenues of \$1.2 billion were up 8% from last year.

Let's have a closer look at the results to see if WestJet is a buy on these results.

Record quarterly load factor

In Q3, the airline reached a record load factor of 85.7% with revenue passenger miles of 6.9 billion rising 8%, while available seat miles increased by just 6%. The results should come as no surprise, as we recently saw [WestJet announce that it was seeing very strong traffic numbers](#). As the economy continues to grow, we could see demand for air travel continue to rise.

Cost efficiency drives bottom-line growth

WestJet was able to see more of its sales drop to the bottom line this quarter with a profit margin of over 11% compared to 10% a year ago. This is despite rising fuel costs, which represented 20% of the top line in Q3 and only took up 18% of sales in the prior year. Fuel costs are often the largest expense item on an airline's financials, and that is why [if you are bearish on oil prices, then investing in aviation could be a good idea](#).

Cost per available seat mile (CASM) increased by 0.4% this quarter, but excluding employee profit sharing costs and fuel expenses, the airline saw a year-over-year reduction of 1.3%.

New low-cost carrier could bring back more customers

It's no secret that WestJet has seen some increased competition in the past year as Flair Air has been offering no-frills flights at bargain prices and taking some of WestJet's customers. This makes WestJet's record numbers all that more impressive, given that the airline is undoubtedly missing out on some price-conscious customers.

In response to this, WestJet announced earlier this year that it would be launching Swoop, a new low-cost carrier that will try to compete with Flair Air and other competitors to ensure that the airline is able to better meet the needs of its customers. However, just like the competition, WestJet's new service will offer no frills and will require paying extra for items that are normally included in the price of a regular ticket.

Competition could put long-term growth at risk

Flair Air isn't the only threat to big airlines like WestJet and **Air Canada**, as Jetlines is also expected to launch in 2018. The potential success of these low-cost airlines could entice even more new entrants into the industry.

With more options for travelers, unless we see demand for air travel outpace the increase in supply, how these big airlines will be able to compete with low cost, no-frills services will be key.

In the short term, however, there does not seem to be a big threat to the major players in the industry given that these low-cost airlines focus on limited routes, and until we see competition on a much wider scale, we likely won't see a big dent in the financials of WestJet or Air Canada.

CATEGORY

1. Dividend Stocks
2. Investing

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/08/17

Date Created

2017/10/31

Author

djagielski

default watermark