



## Why WestJet Airlines Ltd. Fell 1.29% on Tuesday

### Description

**WestJet Airlines Ltd.** (TSX:WJA), the second-largest airline company in Canada, reported its fourth-quarter earnings results Tuesday morning, and its stock responded by falling 1.29% in the day's trading session. The company's stock now sits more than 15% below its 52-week high of \$28 reached back in October, so let's break down the quarterly results and the fundamentals of the stock to determine if now is the time to buy.

### Breaking down the quarterly results

Here's a breakdown of eight of the most notable statistics from WestJet's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Total revenues	\$1,117.44 million	\$1,017.76 million	9.8%
Earnings from operations	\$78.04 million	\$85.27 million	(8.5%)
Operating margin	7.0%	8.4%	(140 basis points)
Net earnings	\$48.5 million	\$55.2 million	(12.2%)
Net earnings per diluted share (EPS)	\$0.42	\$0.47	(10.6%)
Operating cash flow	\$199.21 million	\$60.78 million	227.8%
Segment guests	6,010,069	5,424,052	10.8%
Load factor	82.6%	80.2%	240 basis points

### What should you do now?

It was a decent quarter at best for WestJet, but decent results are rarely met by a positive reaction in the stock market, so I think the weakness in its stock in Tuesday's trading session was warranted; that being said, even though WestJet did not perform all that great in the full year of 2017, with its revenues up 9.2% to \$4.5 billion and its diluted EPS down 1.2% to \$2.42 compared with 2016, I do think the stock represents an intriguing long-term investment opportunity for two reasons.

First, it's very inexpensive. WestJet's stock now trades at just 9.8 times fiscal 2017's EPS of \$2.42 and only 9.1 times the consensus analyst estimate of \$2.60 for fiscal 2018, both of which are very inexpensive compared with its five-year average multiple of 11 as well as its long-term growth potential.

Second, it has a great dividend. WestJet pays a quarterly dividend of \$0.14 per share, representing \$0.56 per share annually, giving it a solid 2.4% yield. It's also worth noting that the company has raised its dividend five times since it initiated its dividend in 2010, and I think its strong growth of operating cash flow, including its 47.6% year-over-year increase to \$8.62 per share in 2017, could allow it to announce another hike at some point this or next year.

With all of the information provided above in mind, I think WestJet Airlines represents a solid long-term investment opportunity, but I must add that I still [prefer Air Canada](#) today, and a couple of my [Foolish colleagues agree](#).

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