



Primed for Take-Off? WestJet Airlines Ltd. vs. Cargojet Inc.

Description

Airlines recorded zero accident deaths in commercial passenger jets in 2017, marking it the safest year in history for commercial air travel. The research report was released by Dutch consulting firm and aviation safety group To70. Adrian Young of To70 estimated that the fatal accident rate for large commercial passenger flights was one in 16 million flights.

Aviation deaths have been steadily falling throughout this century. In 2005 there were 1,015 commercial passenger deaths. The news was welcome for airlines after [an impressive 2017](#) for companies like **Air Canada**, which posted record financial performance. Passenger traffic is also at all-time highs and airlines are working hard to come up with affordable alternatives to sustain this level of growth.

However, the air travel industry is one of the most susceptible to economic instability. The world economy has entered 2018 boasting the [strongest numbers](#) since the 2007-2008 financial crisis. The most recent global stock market rout, which was sparked by anxiety over rising interest rates and the apparent winding down of loose monetary policy, reveals that there are still serious vulnerabilities underlying the global economy, however.

With that in mind, today we'll look at two airline companies to determine which one investors should go with from here on in.

WestJet Airlines Ltd.

WestJet Airlines Ltd. (TSX:WJA) is a Calgary-based airliner that also operates WestJet Vacations and WestJet Encore. Shares of WestJet have fallen 6.5% in 2018 as of close on February 12. WestJet has generated a great deal of buzz over the launch of its "ultra-low cost" airline, Swoop, which will debut in June 2018.

WestJet released its 2017 fourth quarter and full-year results on February 6. The company reported its 51st consecutive quarter of profitability, posting net earnings of \$48.5 million, or \$0.42 per diluted share compared to \$55.2 million, or \$0.47 per diluted share in Q4 2016. WestJet flew a record number of passengers in 2017 – 24.1 million – very much in line with domestic and global trends of surging

passenger traffic.

For the full year WestJet reported a 9.2% increase in revenue to \$4.5 billion. WestJet also declared a quarterly dividend of \$0.14 per share, representing a 2.2% dividend yield.

Cargojet Inc.

Cargojet Inc. ([TSX:CJT](#)) is a Mississauga-based air cargo company that operates a domestic network and provides aircraft service to a wide variety of customers, including those on a maintenance and insurance basis. Cargojet stock has increased 2.3% in 2018 and is up 30% year over year. The company is expected to release its fourth quarter results on March 12, 2018.

In the 2017 third quarter Cargojet saw total revenues jump 10.8% to \$89.4 million. Adjusted EBITDA rose 0.4% to \$25.4 million as Cargojet leadership reported its satisfaction with its efforts to improve margins and the utilization of assets. The company also delivered a dividend of \$0.19 per share, representing a 1.3% dividend yield.

Which stock should you go with right now?

Although Canadian GDP growth projections for 2018 and 2019 received a boost from the International Monetary Fund (IMF) in January, there are underlying weaknesses for Canada moving forward. Indeed, very high household and consumer debt, slowing growth heading into next decade, and steep real estate valuations all remain a concern. An economic downturn could batter commercial airlines like WestJet.

For investors who want to play it safe after a rough start to the year for the stock market, Cargojet has a wide moat and provides a solid dividend.

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1. TSX:CJT (Cargojet Inc.)

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