



Better Stock to Own Today: WestJet Airlines Ltd. (TSX:WJA) or Bombardier, Inc. (TSX:BBD.B)?

Description

Back in late June, I'd discussed why airlines could be a [risky bet](#), as economic headwinds were building up. The TSX has retreated since its April rally extended into the early summer, but airlines have turned in varying performances. Today, we are going to look at two stocks that slowed in the summer but have come on strong in recent weeks.

Which one should you go with today? Let's dive in.

WestJet Airlines (TSX:WJA)

WestJet Airlines stock has climbed 15% month over month as of close on September 12. Shares are still down 24.9% in 2018 so far. WestJet stock has struggled in the first half of the year on strike concerns. Fortunately, a pilot strike was averted in May, but more bad news emerged in a poor second-quarter report that saw the company reported a net loss of \$20.8 million. This sent the stock reeling in early August.

Several factors contributed to weakness in the second quarter for WestJet. President and CEO Ed Sims pointed to "the threat of industrial action" and "the dramatic increases in fuel price" as well as "competitive capacity" as factors that led to the Q2 loss. High fuel costs are unlikely to abate for airliners with oil parrying losses throughout most of the summer. In the face of these developments, total revenues rose 2.8% year over year to \$1.08 billion.

WestJet's June 2018 Swoop launch has yielded results that should make investors happy going forward. In August, WestJet announced that it welcomed 128,000 guests in August, which was a 5.4% increase from the prior year. Swoop has reported load factors consistently above 95%, which demonstrates its early success. WestJet also offers a cash dividend of \$0.14 per share, representing a 2.8% dividend yield.

Bombardier ([TSX:BBD.B](#))

Bombardier stock has dropped 1.9% over the past month. Shares are still up over 50% in 2018 so far.

Back in late July, I'd [discussed](#) whether Bombardier was a good buy ahead of its second-quarter earnings release.

The company released its second-quarter results on August 2. Earnings climbed 18% year over year to \$4.3 billion with the Transportation segment posting 11% growth. It achieved backlog expansion across all business segments and the EBIT margin expanded to 6.4%. Bombardier reported free cash flow usage of \$370 million and reiterated that was on track to meet its full-year breakeven target.

Bombardier stock rose immediately following its earnings release, but quickly came back down to earth as we came into mid-August. Shares have still climbed by a significant margin in 2018, which may rule out those looking for a buy-low opportunity. Still, Bombardier has exciting releases on tap in the months to come, including the debut of its impressive Global 7000 business jet.

Which is the better buy today?

WestJet stock took a sharp dip from late January into the summer. Its low-cost Swoop airline is turning in very good results so far, and the company appears to be well positioned for a rebound in the third quarter. It also boasts a solid dividend for those seeking income. I like WestJet over Bombardier as we approach the fall.

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