



## Could Now Be the Time to Reconsider WestJet Airlines Ltd. (TSX:WJA)?

### Description

Historically, airlines have made notoriously bad investments. Highly susceptible to a variety of factors ranging from political, economic, and even weather-related factors have made the industry extremely volatile and known for its rapid ups and downs (no pun intended).

Over the past decade, airlines have enjoyed relative stability both economically and politically, leading many of them to post long-term gains that would seem almost impossible to fathom. **WestJet Airlines** (TSX:WJA) was a perfect example of this, but it has been on a downward trend for over a year, which has prompted many investors to pass on the once-impressive stock.

Recent events and the possibility of a rare opportunity for investment should now have investors reconsidering whether they should invest in the airline.

### Is there an opportunity?

Despite what appears to be a lull across the industry, WestJet is moving forward on multiple fronts, which exposes not one, but two separate opportunities for investors.

First, let's take a moment to talk about WestJet's international expansion. After being regarded as a predominately smaller-tier national airline with some cross-border traffic, WestJet has broken free from the stereotype and began cross-Atlantic service several years ago. This was a significant change for the airline that exposed it to the lucrative international market, which commands higher fares, more freight opportunities, and, perhaps most beneficial (and often overlooked), connecting passengers.

As a national airline with a strong domestic network, WestJet could really only perform as a feeder airline to the international market. That changed when WestJet added international service, and it's about to change further.

Earlier this year, I mentioned that WestJet was upping its game by [ordering Dreamliner 787 aircraft](#) to fly several new international routes that would expand into new markets and bring new opportunities to the company.

The airline announced this month that the first 3 aircraft from that Dreamliner order are going to provide non-stop flights from Calgary to Paris, Dublin, and London Gatwick. While this may look like a play to capture market share from WestJet's larger competitor, there is brilliance in this proposal.

Calgary is a hub for western Canada that is growing in importance and yet is grossly underserved by international markets. By basing these flights from Calgary, WestJet can cater to travelers traveling to Europe directly, with less competition and without the need for a layover in Montreal or Toronto. The choice of locations is also an interesting pick, as it represents three very large airline hubs that can provide travelers with access to the entire continent and beyond and, perhaps even more importantly, increase exposure to WestJet for potential travelers wanting to fly back to Canada.

There's also the opportunity from WestJet's ultra-low-cost carrier Swoop. While WestJet continues to ascend to offer better service, longer-haul flights, and a new business cabin for travelers flying to Europe, Swoop is tasked with capturing the domestic low-cost market, effectively becoming the feeder airline with low costs that WestJet once was the de facto leader of.

The airline only began operating this past summer, but it follows the same competitive strategy as WestJet's international expansion — a careful set of route options that can prove to be profitable over time.

### **Should you buy?**

WestJet's recent financial update wasn't exactly the company's brightest moment. The company posted a \$20.8 million loss, which was WestJet's first in 13 years, and was largely attributed to rising fuel costs, which increased 30% over the course of the most recent quarter. This put downward pressure on the stock, which resulted in the company being where it is today — trading just over \$18 that finds it close to 52-week lows and a relatively inexpensive P/E of 10.15.

To put it another way, WestJet isn't the only airline feeling pressure now, but given the incredible gains that airlines have made over the years, some correction, particularly as oil prices continue to recover, does make sense.

Long-term investors with an appetite for risk may want to consider a small position in the company, as the international growth of WestJet is only going to continue. The company's quarterly dividend, which offers a respectable 2.89%, could also prove beneficial to long-term investors.

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