



WestJet Stock Is No Longer Listed: Here's How to Bet on it Anyway!

Description

Investors have been pouring [billions of dollars](#) into **Air Canada** ([TSX:AC](#)). The country's largest airline could be the ultimate rebound story when the pandemic is eventually resolved and air traffic recovers to normal. However, investors seem to be overlooking a much better way to play this thesis: WestJet stock

Now, WestJet hasn't been a public company since last year. However, the company that purchased Canada's second-largest airline is listed on the stock market. It's also one of the most underrated and potentially lucrative investment opportunities at the moment. Here's a closer look at how you can bet on WestJet stock and a massive recovery in Canada's airline sector

WestJet stock

In 2019, a private equity firm called **Onex** ([TSX:ONEX](#)) acquired WestJet Airlines. Onex paid \$31 per share for the company, a 67% premium to its market value at the time. Including debt, the company deployed over \$5 billion in the transaction.

Today, Onex is worth roughly \$6.2 billion. In other words, WestJet's parent company is worth just 24% more than WestJet's acquisition price last year. That's a stunning reduction in market value. Onex stock has lost 22% of its value since the start of this year

Of course, the pandemic has had an impact on WestJet's operations and the valuation of Onex's other subsidiaries. But investors seem to have overreacted. The stock now seems too undervalued when you consider the impact of a gradual economic recovery.

Onex's portfolio

The private equity firm has over \$36 billion in assets under management. In other words, it has \$6 in assets under management for every dollar in market value.

WestJet is arguably the biggest investment in its portfolio. As the economy reopens and domestic air travels resumes, WestJet should see earnings recover. Meanwhile, the company has laid off staff, cut

operational costs, and boosted cash reserves. This means it's much leaner than before and could generate better profits, as Canadians start traveling again.

The economic recovery also helps other Onex portfolio companies. Chatters hair salons, electronics maker **Celestica**, packaging company IntraPac, and Parkdean Resorts should see a turnaround as people emerge from home confinement.

Improving earnings and the rally in public stocks should boost Onex's book value per share. However, the stock is currently trading at a *3% discount to book value*. That means investing in Onex is like buying WestJet stock as well as a basket of top-notch businesses for a discount.

Onex could be the ultimate contrarian bet for value-oriented investors looking for a long-term investment.

Bottom line

WestJet stock was delisted from the Toronto Stock Exchange last year. The airline was acquired by private equity giant Onex. Now, Onex stock is beaten down. This means investors can bet on a rebound in the airline sector through this stock.

Considering that Onex has billions of dollars in cash reserves and other subsidiaries to generate cash flow, this seems like a safer bet than Air Canada. Investors with an appetite for risk willing to make a contrarian bet should add this overlooked stock to their list.

CATEGORY

1. Investing

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1. TSX:AC (Air Canada)
2. TSX:ONEX (Onex Corporation)

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