



THE DAY TRADING ACADEMY
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November 05, 2014 - Invest in Spirit Airlines – By Jeffrey Hagenmeier



As oil prices continue to tumble one should consider another investment with an airline. Last month it was recommended that you make an investment with Southwest Airlines. This month it is suggested that you take a look at United States based **Spirit Airlines**. This company is one of the three most profitable airlines in the world along with U.S. carrier Allegiant Air and Panama's Copa Airlines.

Spirit Airlines was founded in 1980 as Charter One and is headquartered in Miramar, Florida. The company is an ultra-low cost carrier that operates flights throughout the United States, Mexico and a number of countries in Latin America. In the United States, the airline focuses on a number of American cities that include Atlantic City, Chicago, Dallas/Fort Worth, Detroit, Ft Lauderdale, Houston, Las Vegas and Myrtle Beach.

The company has a fleet of 60 aircraft with a portfolio of 57 destinations that are serviced with more than 250 daily flights.

Spirit Airlines ended Tuesday with a share price of **\$76.62 USD** (United States Dollar) with an increase of **\$2.12**. That is a **2.85% increase** for the day. The stock had opened at \$74.76 which was the low for the day and a high of \$77.34. Market capitalization stands at \$5.41 billion USD. The P/E ratio is 26.39 and the EPS \$2.90. The stock has increased \$5.34 in the last 5 business days, an increase of 7.49%.



During the Ebola scare the stock had reached a low of \$53.31 on Monday October 13th. It has been moving up in price since then. The stock was selling below \$50 dollars at the beginning of 2014. The 52 week low for a share of the company stock was \$41.41 and the 52 week high is \$77.34. Volume stands at 1,572,908 with an average of 1,142 million shares traded over the last 3 months.



Spirit Airlines is well positioned for future earnings. The firm saw EPS growth of 69.9% last year and has good prospects for this year as well. Earnings per share growth is estimated to be over 30% for 2014. Long term growth is estimated to be close to 30% as well.

Third business quarter results were reported last Wednesday. Spirit's adjusted net income for the quarter is up 28% year over year. Total operating revenue showed a 14% increase. The company is poised to do even better because of 3 present fundamentals. Fuel prices are continuing to decline, faster growth is projected as more people choose to take advantage of the increasingly low fares, and more efficient and larger aircraft are coming on line.



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The appeal of the company is the *Bare Fare* flights. Reduced fuel costs will allow fares to drop even lower. Most airlines usually spend about 30% of their revenue on fuel. Unlike a number of other airlines who will not pass on these savings to customers, Spirit Airlines will do so in an attempt to attract more customers.



In addition, 28 new flight routes are due to be added between August 2014 and April 2015.

Air traffic will increase as the holiday season arrives, which will boost revenues for the company in the 4th business quarter. Keeping this in mind, an investor should set a target of at least **\$84.00**, which will be a **\$7.38 addition in the share price, equal to about a 10% increase.**