



Soar High With This Growth Stock

Description

The advent of e-commerce has benefited **Cargojet Inc.** ([TSX:CJT](#)). In the last year, the shares outperformed by appreciating 58%. I was surprised that the stock even beat **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) by 136% in the last five years based solely on share price appreciation. On top of its growth, Cargojet also offers a dividend which yields about 1.7% currently.

What does Cargojet do?

Cargojet has a dominant position in providing time-sensitive overnight air cargo services with over 90% of the market share in Canada. It consolidates cargo received from customers and transports it to the appropriate destination in a safe and timely manner. A few of Cargojet's customers include Canada Post, Purolator, and Amazon.

Cargojet operates a co-load network between 14 major Canadian cities, including Vancouver, Edmonton, and Ottawa. Since 2016, it has also started operating flights between Canada and Mexico, Canada and Colombia and Peru, and Canada and Germany.

Cargojet primarily operates its overnight air cargo service from Monday to Thursday and typically operates 197-199 days a year.

Additionally, Cargojet provides specialty charter services across North America, to the Caribbean, and to Europe.

plane on a field at night

Recent results

In 2016, Cargojet increased its revenues by 14.5% to \$331 million. It also swung from a loss in 2015 to positive earnings in 2016. That said, the company's earnings before interest, taxes, depreciation, and amortization (EBITDA) was positive in both years. Specifically, its 2016 EBITDA was \$75.8 million, which increased 119% from 2015.

Notably, its gross margins expanded from 13.3% in 2015 to 25.9% in 2016, which was due to the company improving the efficiency of its operations and lowering the cost in the process.

The company generated adjusted free cash flow of \$49.9 million in 2016, which was nearly 281% higher than the year before. The company will pay out less than 5% of that amount as dividends this year based on its current quarterly dividend.

Dividend growth

With Cargojet's strong cash flow generation, it's no wonder that management was confident enough to boost its dividend twice in the past year. Projecting an annual payout of \$0.77 per share in 2017 based on the current quarterly dividend, this year's dividend would be 18.8% higher than last year.

Investor takeaway

Cargojet seems like a nice growth stock with room to grow. First, management expects to continue growing its revenues from all its businesses.

Second, the company continues to improve efficiencies in its operations, so it could further expand its margins.

Lastly, it has the capacity to grow its dividend, and we shall see if its dividend growth will turn out to be a trend.

Cargojet is not particularly overpriced as it trades at a forward multiple of about 21.2 at \$45.65 per share, but it'll be more attractive on any pullbacks.

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