Cascades Inc. or Cargojet Inc.: Which Is the Better Buy?

Description

On the lookout for a new investment? Let's examine two companies that don't have a whole lot of peers — **Cargojet Inc.** (TSX:CJT) and **Cascades Inc.** (TSX:CAS) — to see if one is the better buy.

Cargojet Inc.

Cargojet, based out of Mississauga, provides overnight air cargo service in Canada and across the globe.

Cargojet release second-quarter results in August and reported adjusted earnings of $0.39 per share, in line with analyst expectations. This beat last year's second-quarter results by 8.33%. Cargojet's net profit number only sits at 0.34%. Over the last three years, the company's revenue growth has averaged 23.58% annually. Its earnings, however, have declined by an average of 18.91% annually over the last three years, so the company needs to get better at converting revenue to profit.

The stock has a huge trailing P/E ratio of 663.47, so buying this company's earnings isn't cheap. The company also has a high debt-to-net-equity ratio of 3.064, so this company is carrying three times more debt than equity right now.

The stock has a low return-on-equity number of 1.26%. Cargojet is also trading near its 52-week high of $52.56 right now. If you are an income investor, Cargojet offers a small dividend. Its annual declared dividend is currently $0.77 per share for a yield of 1.48%.

Cascades Inc.

Cascades, headquartered in Winnipeg, produces and converts tissue products and packaging using recycled fibres and has facilities across North America and Europe.

Cascades also released second-quarter results in August. The company reported earnings per share of $0.25. This missed analyst expectations of $0.29 per share and missed 2016's second-quarter results by 34.21%. The company's net profit number is healthier than Cargojet's at 12.43%. Over the last three years, revenue growth has averaged only 5.89% annually. However, earnings over the last three years have grown by an average of 47.64% annually, so Cascades does a better job of converting revenue into profit.

Cascades has a much better trailing P/E ratio of 3.15, so it's cheaper to buy the earnings of this stock than Cargojet. Cascade's debt-to-net-equity ratio looks a little better at 2.24, but the company is still carrying a lot of debt.

The stock has a great return-on-equity number of 42.42%, much higher than the 15-20% analysts like to see. The stock is trading closer to its 52-week high of $18.20 than its 52-week low of $10.95. Cascades also offers a small dividend. Its annual declared offering is $0.16 per share for a yield of 0.98%.

Bottom line

Both stocks have some good numbers. Cargojet had a good second quarter and good revenue numbers over the last three years. However, it holds a lot of debt and has a high P/E number. Cascades missed expectations in its second quarter, but earnings growth looks good, and it has a low P/E. While both offer a dividend, neither is a dividend superstar at the moment. Analysts seem positive about the future of both stocks. If you are looking for a new investment for your Foolish portfolio, both of these stocks deserve a second look.

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