A High-Flying Growth Stock You've Probably Never Heard of

Description

There are many small-cap stocks that have been consistently outperforming over the last few years, but in spite of the impressive results, many of these stocks are still flying under the radars of Canadian investors. If you're a young Canadian who's looking to achieve above-average returns over the long haul, small caps are a very compelling play. If you've got the risk tolerance and a stomach for above-average volatility, then you may want to give your portfolio a much-needed boost by including one of these up-and-coming small-cap names.

Consider **Cargojet Inc.** (TSX:CJT), a provider of time-sensitive overnight air cargo services. As of August 2016, the company had a fleet size of 21 aircraft that can handle payloads between 60,000 and 125,000 pounds. The company has an incredibly dominant position in the Canadian market (~90% market share in the dedicated overnight shipping market), and the management team has done a fantastic job of managing operating costs and ensuring the efficient utilization of its aircrafts.

Cargojet was once on the brink many years ago, but under new management and a new long-term plan, the company has really started to take off. The stock has a ~$710 million market cap, but at this pace, it's just a matter of time before the stock breaks the $1 billion mark.

Have you ever wondered how your expedited parcels get delivered in such a timely fashion?

Cargojet can be thanked for that with its incredible position in the Canadian market, which has monopolistic characteristics due to the absurd barrier to entry in the cost it takes to purchase a fleet of wide-body jets, which cost as much as US$188 million each. That's a sky-high entry price just for a few aircraft! Cargojet has a solid fleet in place, so it's very well positioned to continue to capitalize on the expedited deliveries, which will increase as the world gravitates towards digital platforms to do their shopping.

Solid third-quarter results sending shares back into the air

Cargojet saw revenues increase 10.8% to $89.4 million on a year-over-year basis with EBITDA surging 121.7% to $26.6 million and net earnings jumping to $5.6 million from a $4.8 million loss recorded during the same quarter last year. The strong results can be attributed to contracted flights between

Canada and the U.S. for an unknown customer.

“The significant increase in revenues and gross margin over the previous year was the result of the successful execution of our strategy to improve the utilization of our aircraft assets to maximize margins,” said Ajay Virmani, CEO of Cargojet.

Bottom line

Virmani has done an absolutely fantastic job turning Cargojet into a high-flyer, and I believe the company deserves to be on the radar of growth-hungry Canadians, as the company continues to ride tailwinds from the continuing rise of e-commerce and expedited deliveries.

The stock is quite expensive with a 55.77 price-to-earnings multiple, so I’d much prefer waiting for a larger pullback before initiating a position in what I believe is a strong small-cap growth candidate that’ll be riding secular tailwinds for many years to come.

Stay hungry. Stay Foolish.

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