



1 of These Growth Stocks Is More Defensive

Description

Cargojet ([TSX:CJT](#)) and **MTY Food Group** ([TSX:MTY](#)) have been [fabulous growth stocks](#). In the last three years, Cargojet stock delivered annualized returns of 42.5%. In other words, an investment from the beginning of that period would have almost tripled!

In the same period, MTY Food Group delivered annualized returns of 26.8%. An investment in the stock three years ago would have more than doubled. Their returns easily outperformed the long-term average market returns of 10%.

What leads to strong price appreciation?

The first indicator of [fast-growing stocks](#) is their rapid revenue growth. The combination of revenue growth that leads to earnings or cash flow growth on a per-share basis should lead to strong price appreciation of growth stocks.



Image source: Getty Images.

Cargojet's three-year revenue-growth rate was almost 26%. However, it reported net losses in 2014 and 2015. Though it had operating cash flow in both years, it experienced a 64% decline in its cash flow in 2014. Thankfully, in the following year, its cash flow more than rebounded back to its 2013 level. Its cash flow per share has been growing more than 20% per year since 2015, which has driven crazy

price appreciation in the stock.

MTY Food Group's three-year revenue-growth rate was nearly 34%. In the period, it increased its earnings per share at a compound annual growth rate of about 28%, which has been a formidable force pushing up its stock price.

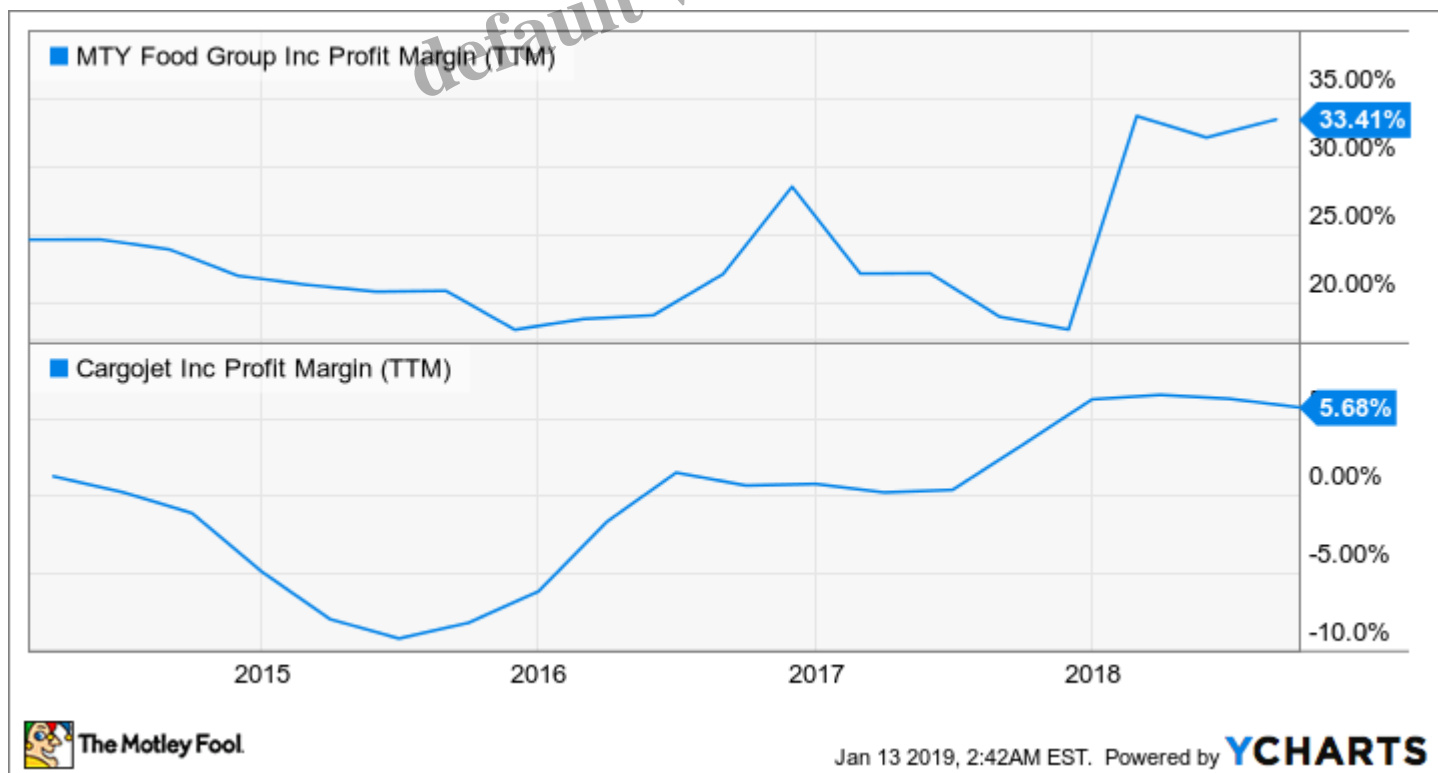
Business overview

Cargojet is a leading provider of time-sensitive overnight air cargo services. It operates its network across North America, using a fleet of all-cargo aircraft. At the end of 2018, it had 22 planes in the fleet. It plans to add another aircraft this year and next year, which indicates that management is optimistic about the business.

MTY Food Group franchises and operates quick-service restaurants primarily in North America. It has a track record of successful acquisitions and integrations. You'll find many of its brands in the food courts of malls. Its brands include but are not limited to Country Style, Croissant Plus, Extreme Pita, Jugo Juice, Koryo, Koya, Manchu WOK, etc.

MTY Food Group is more defensive

It's good to see that both companies have a trend of expanding their profit margins over time.



Recent profit margins of MTY and Cargojet.

Given that we're well into the ninth year of a bull market, it'd be more prudent to have MTY Food Group than Cargojet in one's stock portfolio. MTY Food Group's business is simply more defensive with little cyclicity. Actually, in the last recession, MTY Food Group was able to expand its margins but the

opposite was true for Cargojet.

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1. Dividend Stocks
2. Investing

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2. TSX:MTY (MTY Food Group)

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