



## This Sure-Fire Growth Stock Can Make You Crazy Rich

### Description

Here's to highlight how **Cargojet** ([TSX:CJT](#)) can make you crazy rich.

Cargojet stock has been more than six-bagger from an investment before the market crash in the financial crisis of 2007-2008. That equates to total returns of about 18% per year. Putting it in dollar terms, \$10,000 turned into +\$60,000.

Investors should note, however, that Cargojet stock had a drawdown of +80% from the peak before the crisis occurred to the trough during the market crash, with the stock falling from the \$14 per share level to the \$2 and change per share level.

What happened for an investment bought at the trough? Boy oh boy! It was more than a 37-bagger, which equated to total returns of about 43% per year. Putting it in dollar terms, \$10,000 turned into +\$378,000!

The whole exercise of studying the history is to remind to keep buying stocks with great growth potential in a market crash that we know will surely occur again, but will eventually recover.



## A business overview

E-commerce growth greatly contributes to Cargojet's success. 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, Cargojet had 22 planes in the fleet. It plans to have 24 aircrafts by next year, which indicates that management is positive about the business outlook.

## Recent results

Cargojet just reported its fourth-quarter and full-year 2018 results yesterday. Q4 saw revenue and adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) growth of 12.2% and 7.8%, respectively, compared to the same period in 2017.

Its full-year results were even stronger with revenue and adjusted EBITDA rising 18.8% and 16.9%, respectively, to \$454.9 million and \$128 million compared to the same period in 2017. Notably, however, the gross margin contracted from 27.8% to 24.7%.

## Risks

The biggest concerns regarding an investment in Cargojet stock right now is the potential of a global [economic slowdown](#) and the stock's valuation. An economic slowdown will reduce the demand for Cargojet's services.

At \$83 per share, Cargojet trades at a forward P/E of less than 40. While growth is keeping pace with the multiple for now, we don't know how long that will last until an economic slowdown hits. How much can the global economies expand when debt levels are at historical highs?

## Investor takeaway

Currently, **Thomson Reuters** has a mean 12-month target of \$94 on the stock, which represents nearly 13% near-term upside. The margin of safety is simply too small to go all in in the growth stock right now. However, a small starter position may be warranted for investors who have a very long-term investment horizon.

To [get crazy rich from investing](#) in Cargojet stock, buy the stock in the next market crash when everything looks bleak.

Stay hungry. Stay Foolish.

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## Date

2025/08/02

## Date Created

2019/02/22

## Author

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