



## Hyper-Growth Stock: Drone Delivery Canada (TSXV:FLT)

### Description

Having the first-mover advantage in a nascent industry that is yet to hit the tipping point for growth is usually the driving force behind hyper-fast wealth creation. Buying into the early leaders in technology sectors with massive potential is risky but could sometimes be highly lucrative.

One such industry poised for incredible growth is the drone delivery sector. Advanced battery technology, device miniaturization, and unmanned autonomous flying software have finally come together to make drones commercially viable. However, the tech isn't restricted to hobbyists and collectors. Instead, it's solving a critical problem for the logistics industry.

Last-mile deliveries are often the most complex to manage and time consuming. While the global supply chain to deliver items from the factory floor to the local distribution centre has been perfected over decades, getting stuff from the local warehouse to your doorstep is still a challenge.

Now, with small unmanned aerial vehicles (UAVs), companies can circumvent the traffic jams and complex road networks to deliver tiny parcels directly to your backyard. It's a market that is quickly expanding and already has major players such as Google and **Amazon** interested. **Goldman Sachs** believes the industry could generate \$100 billion annually by 2020.

Canada's [leader in this market](#) is already listed on the public stock exchange. Vaughan-based **Drone Delivery Canada** ([TSXV:FLT](#)) has spent the past five years perfecting its drones and management software. The services are now ready for prime time, and the company has already struck some interesting deals to generate revenue going forward.

Two of these deals stand out as early indicators of DDC's potential.

## Commercial agreement with Air Canada

In May this year, the company struck a deal with Canada's largest commercial airline to operate several routes for package deliveries across the country. According to the terms of the agreement, DDC will build and operate up to 150,000 drone delivery routes in Canada. These routes will include timetables, flight schedules, payload capacities, type of drones to be deployed, and payment terms.

**Air Canada** Cargo, the airline's logistics arm, will market DDC's services as a premium offering to its customers. The agreement includes an exclusivity clause to ensure Air Canada cannot engage with any of DDC's competitors in the sector.

## Partnership with the Moose Cree First Nation

The Moose Cree, also known as Moosonee, are located on an isolated island in northern Ontario. Goods and supplies are delivered to the remote community via barge in the summers, trucks in the winter, and expensive helicopters when the river is partially frozen.

Last year, the Moose Cree First Nation band government teamed up with DDC to test the viability of self-flying aircraft and see if they can reduce the costs and improve the accessibility of medical supplies, food, and critical goods throughout the year.

If the tests are successful, other remote communities across Canada (of which there are many) could soon follow suit and join the DDC network.

Both these critical deals were struck over the past year, which indicates that DDC's growth plan is hitting a transition point.

## Bottom line

DDC's business model has started showing green shoots this year. Growth-seeking investors should take a closer look at the stock to see if a little exposure to the future of last-mile deliveries deserves a spot in their portfolio.

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