This Dividend Growth Stock Could Double a $6000 TFSA Contribution

Description

Want to turn your (relatively small) TFSA contribution into a lot of money?

Recently, one of the best ways to do that has been to invest in Airline stocks.

With **Air Canada** up 4000% since its lowest prices in 2009 and **WestJet Airlines Ltd** (TSX:WJA) having been acquired at a huge premium, airlines have been flying high.

This fact has apparently not gone unnoticed, as high-profile investors like Warren Buffett have been sinking money into air travel stocks. Citing consolidation, Buffett has said that the airline industry has become less competitive, which makes it more lucrative.

While that may not be good for consumers, it's great for investors, who have had many opportunities to profit off of airline stocks in the past five years.

At $6000, the 2019 TFSA contribution limit might not seem like much. The air travel space, however, has provided many opportunities to make bank even with a small initial sum like that. Now, let's talk about one such stock that may be the next big opportunity.

Cargojet

Cargojet Inc (TSX:CJT) is a cargo airline that ships cargo throughout Canada and to a lesser extent internationally. Domestically, the company moves cargo from Vancouver to St. John's. Internationally, it ships to regions like U.S., the EU and Latin America.

In its most recent quarter, Cargojet grew revenue by 11.3% and adjusted EBITDA by 17% year-over-year. The company is investing aggressively in growth, having bought an Aircraft hangar in Hamilton and a handling business in Quebec for $3.1 billion. The company also leased a new Boeing 767, indicating that management believes the company will see growth in the future.

Insane bullishness in air travel stocks

Airline stocks in general have been doing well lately, mainly owing to industry consolidation. Over time, airline companies have been acquiring other airlines, leading to less competition in the space. In the past, I wrote that this trend has not been as pronounced in Canada as in the States. Recently, however, we saw a major M&A transaction here at home, when Onex announced that it would acquire WestJet for $3.5 billion.

Onex is an investment firm that owns significant assets in transportation, including the Aerospace company Hawker Beechcraft. This means that Onex's WestJet acquisition is consistent with the trend of airline/aerospace industry consolidation.

Could CargoJet be the next big M&A target?

Given the trend of air travel consolidation, it's reasonably likely that Cargojet could become an M&A target. It's a small company, with a market cap of just $1.13 billion, making it an attainable acquisition.

As well, it's a profitable and growing company, which makes it desirable. Finally, it's a niche business operating outside of traditional air travel, and could have synergies with airlines that are more passenger-oriented.

All of these facts point to the possibility of Cargojet being a potential buyout target. However, it needn't necessarily be bought out to be worth it. With a 294% increase in five years, Cargojet is an ultra-bullish stock whose fundamentals are strong enough to justify even more gains.

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