



2 Stocks That Will Grow for Decades

Description

Airlines and flying in general have gotten a lot more popular the last couple of decades because of one major reason: cost.

Since selling aircraft is mostly business-to-business sales, the aircraft constructors have to do what they can to help their customers, the airline companies, to become more profitable so they will continue to grow and buy additional planes.

The resulting technological improvements in areas such as the engine and aerodynamics have made flying more efficient and brought costs down significantly.

In addition, airlines over the years have figured out how to optimize operations to maximize profits. The resulting cost decreases have created a massive increase in demand for airline and air cargo services.

Two companies that have taken full advantage and are growing rapidly are **Air Canada** ([TSX:AC](#)) ([TSX:AC.B](#)) and **Cargojet** ([TSX:CJT](#)).

Air Canada

[Air Canada](#) is the leader in passenger air travel in Canada. With a market cap of nearly \$12 billion, it's substantially larger than its domestic competitors. The company has over 400 planes in its fleet and operates regional and ultra-low-cost carriers as well as its main brand.

For airlines, any time the planes are sitting on the ground, they are not making money, so it's essential that operations are as efficient as possible to maximize revenue each day. In its latest earnings, Air Canada reported an increase in fleet utilization by 5%, which is direct result of optimizing schedules and operations.

Looking at Air Canada's numbers, it's clear it has been successful in its quest for efficiency. Cost per available seat mile is up just 5.2%, while revenue per available seat mile is up 8.1%.

The direct cost control and margin management has helped Air Canada to be more efficient. In the second quarter, its operating margin was up 180 basis points from the same quarter last year — a significant increase.

The MAX 8 grounding hasn't had too much of an impact on business and actually seems to have tightened capacity around the world, leading to increased load factors and therefore an increase in company efficiency.

Air Canada continues to come up with new ways for growth, partnering with major airlines worldwide and targeting Americans who want to fly internationally out of Canada.

At a P/E of just 10.3 times, Air Canada is a steal at these prices and will no doubt continue to grow in the next few decades.

Cargojet

Cargojet is a relatively new company, starting in 2002 after Ajay Virmani, the current CEO, bought the defunct Canada 3000's cargo business. It operates overnight cargo service, mostly on time-sensitive goods. The company's main operations are in Canada, but it also flies some international routes as well.

Cargojet has put up impressive numbers because of the massive increase in demand for its services. It has really been impacted positively by the major increase in online shopping and retailers push towards one- or two-day shipping.

This makes it essential for those time-sensitive goods to travel by air, because nothing else could get them to their destination on time.

The company has a huge chunk of the market share for overnight shipping, with more than 90% of the domestic overnight cargo in Canada.

The operations are another key to the impressive returns Cargojet has generated. It has just 21 planes in its fleet but operates more than 60 flight legs each night. Furthermore, it has a 98.5% on time reliability, which is extremely high.

In the last five years, Cargojet has grown its revenue by over 100%, and its earnings before interest, taxes, depreciation, amortization, and rent has grown by almost 400%.

Online shopping will continue to increase in the future, and Cargojet will directly benefit from the shift in consumer behaviour.

Bottom line

There is no doubt the demand for air travel and air cargo will continue to grow for decades to come. Both companies are well positioned in the market to grow along with it, giving investors today a major opportunity.

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2. Investing

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2. TSX:CJT (Cargojet Inc.)

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Author

danieldacosta

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