



## Could Amazon (NASDAQ:AMZN) Send This Stock Soaring?

### Description

Partnering with tech giant **Amazon.com, Inc** ([NASDAQ:AMZN](#)) could do wonders for any [business](#), especially one that directly benefits from the traffic that comes via the online store.

One area in which there's ample opportunity for growth is in transportation, and in particular, transporting shipments via air. That's why Canadian company **Cargojet Inc** ([TSX:CJT](#)) got a big boost last month when we learned that it had entered into a strategic agreement with Amazon.

The two companies already had an existing commercial agreement in place, and this new agreement only serves to strengthen that relationship.

Cargojet expects to see more revenue and greater earnings as a result of the agreement, while Amazon will be given warrants where it will have the ability to purchase variable voting shares. The warrants will be issued as Cargojet sees business from Amazon continue to increase.

### Cargojet's sales could skyrocket

The expectation is that under the deal, Cargojet could see as much as \$600 million in business volumes being generated through the agreement. All the warrants would take seven and a half years to vest and would be tied to the sales growth.

To put into perspective what that means for Cargojet, in 2018, the company generated just \$455 million in sales. While the incremental revenue from Amazon will take place over several years, it could still lead to [significant sales growth](#) for Cargojet.

Even if we spread out the incremental sales evenly over the next seven years, that could be an added ~\$85 million in sales every year. That big of a bump up would represent an increase of 19% from last year's sales, without taking into account any other organic growth for the company.

It's a big development for Cargojet that could help put the company on the radar for more investors.

## Could it lead to an eventual acquisition by Amazon?

Initially, Amazon will get warrants to purchase 9.9% of the company (assuming milestones are reached). In the second tranche, it could purchase an additional 5%, which could help pave the way for the tech giant to end up acquiring the airline entirely.

At a market cap of around \$1.4 billion, it wouldn't be a big price tag for the tech company to buy Cargojet today. In its most recent quarter, Amazon posted a profit of US\$2.6 billion.

It wouldn't be at all surprising for the company to consider an acquisition at some point in the future, especially if Amazon's Canadian sales continue growing. Amazon has become as much a logistics company as it has been an online retailer, and Cargojet looks to be a big part of that growth in Canada.

## Should investors buy Cargojet on this news?

It's great news that Cargojet's partnership with Amazon has become even stronger. The bad news is that the airline could become too dependent on the online retailer, potentially making it vulnerable.

However, that's a risk that investors will have to accept along with the growth that comes with the deal. Without Amazon, Cargojet would be a far less appealing option for investors.

The problem is that with a price-to-earnings ratio of 90 and Cargojet's price-to-book multiple around nine, investors are paying a pretty high price tag for the stock today. As great an opportunity as the stock is today, investors may want to wait for a dip in price before buying.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. TSX:CJT (Cargojet Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
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