



## TFSA Investors: Make Up to 15% by Betting on This Boring Cargo Carrier

### Description

While logistics and delivery aren't the most exciting businesses out there, they're steady and revenues are predictable. As the world increasingly moves to a delivery model for everything from appliances to food, delivery players will benefit.

**Cargojet** ([TSX:CJT](#)) is Canada's leading provider of time-sensitive overnight air cargo services and carries over eight million pounds of cargo each week.

Cargojet operates its network across 15 major cities in North America and selected international destinations (Germany in Europe, and Colombia and Peru in South America). Cargojet owns a fleet of 26 all-cargo aircraft and has a market share of over 90% in Canada.

### Strong quarterly results

For the third quarter ended September 30, 2019, total revenues were \$117.4 million, an increase of \$3.3 million, or 2.9% versus the previous year. Domestic network revenues were up 5.5% and ACMI (aircraft, crew, maintenance, and insurance) revenues increased by 33.3% versus the previous year.

Gross margin was \$29.8 million, an increase of \$3.2 million or 12% versus the previous year. Adjusted EBITDA was \$39.1 million, an increase of \$7.6 million, or 24.1% versus 2018.

Cargojet revenues and earnings have consistently risen in the last four years. From revenues of \$289 million and a loss of \$18 million in 2014, Cargojet clocked revenues of \$454.9 million and earnings of \$20.2 million in 2018.

Given that the fourth quarter of the year is the busiest (and most profitable) quarter for the company, the company is well on track to beat its figures for 2018.

### Betting big on e-commerce

Cargojet is looking at e-commerce to be a driving force for growth in the future. The Canadian e-commerce market accounts for 6.5% of total retail sales in the country.

Cargojet announced a strategic partnership with **Amazon** on August 23 to ensure that they benefit as the percentage grows in the near future.

Cargojet is such an integral player in the Canadian cargo space that Amazon bought equity in the company. Amazon is very serious about one-day shipping becoming the norm in Canada by 2020 and they are betting on Cargojet to help them achieve that goal. Further, it is [also an ideal acquisition target](#).

Cargojet CEO Ajay Virmani said during the Q3 conference call, "With Amazon's announcement of 1-day Prime and other retailers now trying to compete with faster delivery standards, online shopping has now moved to a 7-day a week shopping pattern.

Major brands are now accelerating their focus on building direct-to-consumer business models, creating more opportunity for air cargo volumes. This is leading to a stronger volumes on the weekends on our network, and we expect to see more of this trend during the peak holiday season."

The company has a forward dividend of less than 1%, but you don't buy this stock for its dividend. You buy it for its growth potential.

At a forward PE of almost 60, the stock isn't cheap either. Seven analysts tracking the stock have given it an average price target of \$115.45, which is over 15% from its current levels. They have a high target of \$130 in the next 12 months.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)

## PARTNER-FEEDS

1. Business Insider
2. Msn
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## Category

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