



Buy Alert: Amazon (NASDAQ:AMZN) Is Ready to Acquire This TSX Stock

Description

Amazon.com ([NASDAQ:AMZN](#)) is one of the largest companies in the world. In fact, it's one of the largest stocks in *history*. That gives it virtually unlimited funds to make strategic acquisitions. One TSX stock is likely at the [top of its list](#).

These dots aren't hard to connect. Amazon took a stake in the company in 2019. But it didn't take a direct stake. Instead, it acquired options to eventually purchase 14.9% of the outstanding stock.

Looking at the strategic importance of this business, it's not difficult to see Amazon ramping its interest even further in 2020.

Amazon already wants this stock

Last August, Amazon announced a strategic partnership with **CargoJet** ([TSX:CJT](#)).

According to the press release, "CargoJet will issue warrants to Amazon to purchase variable voting shares that will vest based on the achievement of commercial milestones related to Amazon's business with CargoJet. CargoJet expects the agreement to generate additional revenue growth and be meaningfully accretive to CargoJet's earnings and cash flows over time."

Here are the nitty-gritty details. Amazon will receive warrants to acquire up to 9.9% of CargoJet's voting shares at an exercise price of around \$92 per share. These warrants will vest over the next six years, but only if Amazon contributes \$400 million in sales to CargoJet.

Amazon will also receive warrants to buy an additional 5% of CargoJet stock, with vesting based on whether the company adds *another* \$200 million in sales for CargoJet. In total, Amazon could end up with nearly 15% of CargoJet's stock while contributing at least \$600 million in revenue.

The future is clear

What does all of that mean in plain English? It means that Amazon understands how important CargoJet is to its business in Canada. Without CargoJet, Amazon will struggle to grow. If you've been paying attention, this strategic move should have been obvious.

"You likely know that speed is the name of the game right now," I wrote in 2019, highlighting how important rapid delivery was for Amazon's business model. "Amazon will eventually push for one-day shipping on all Prime orders, after which it will focus on same-day shipping, so the value placed on speed won't dwindle for years to come," I'd concluded.

Meanwhile, CargoJet is *by far* the largest overnight shipper in Canada. It dominates the country's rapid-transport industry, covering 95% of the entire population. Unless Amazon wanted to build its own network from scratch, its only option was to go through CargoJet. Again, it's not hard to connect the dots here.

Long term, partnering with CargoJet is Amazon's cheapest and most effective way to service the Canadian market with rapid delivery. That's why the initial 15% stake and revenue guarantees are only the *first step* to an eventual acquisition. Foreign ownership regulations may prevent an outright buyout, but make no mistake: Amazon will solidify its partnership with CargoJet over time.

CargoJet currently has a \$1.8 billion market value. Amazon has a \$1 trillion valuation. In one fell swoop, the company can secure the Canadian market for itself. All it needs to do is acquire CargoJet.

The path is clear. Now it's only a matter of time.

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