



Here's an Insane Growth Opportunity

Description

Are you aware of the growth opportunity that Mississauga-based **Cargojet** ([TSX:CJT](#)) can provide? While most investors have now heard of Cargojet, few realize the immense potential that the company holds. In short, this could be the one investment that will weather the COVID-induced crash and still provide years of handsome growth. Here's what prospective investors need to know.

What's up with cargo?

At first glance, Cargojet doesn't exactly come out as a screaming buy. The company provides cargo transportation services both within Canada and internationally. In Canada, Cargojet services 14 cities. International routes connect Canada with the U.S., Bermuda, Germany, and Mexico.

Hauling cargo is a lucrative business but not one that is well known to investors, at least initially. This is because the business largely falls in a grey area between raw material providers and manufacturers and distributors. More recently, the growth in mobile commerce has exposed the retailer to consumer cargo business, which is just as lucrative.

In fact, I would be remiss if I mentioned mobile commerce and didn't call out **Amazon**. The internet behemoth closed a deal with Cargojet last year aimed at bringing business to both companies. Under the terms of that agreement, Cargojet issues warrants to Amazon that will vest into variable voting shares based on achieving business milestones.

Since the deal was announced last year, Cargojet's stock price has nearly doubled — and that's factoring in the current market downturn. Incredibly, further gains are still possible over the long term. The COVID-19 pandemic has shifted both office workers and shoppers to conduct business remotely. Even the long-time holdouts to the retail apocalypse that e-commerce brought on (clothing and food) are seeing growth.

Throw in the fact that international air routes offered by [passenger airlines](#) (which do carry cargo) have eroded, and you can see an insane growth opportunity for Cargojet over the long term.

The results are in

Cargojet announced results for the first fiscal of 2020 in May. The results were, in a word, impressive.

In that quarter, Cargojet saw total revenue top \$123 million, reflecting an 11.4%, or \$12.6 million improvement over the prior year. Gross margins saw a whopping 51.9% increase over last year, coming in at \$32.2 million. Adjusted EBITDA came in at an equally impressive \$40.2 million for the quarter, beating the \$32.3 million reported last year.

While Cargojet should be viewed as a growth stock, that's not to say that Cargojet can't provide *some* income potential. Cargojet currently offers a quarterly dividend that works out to a 0.56% yield and has provided near-annual bumps to that dividend going back years. Again, growth is the main reason to invest in Cargojet, not income. If it's income you want, there are plenty of other, [great investments](#) to consider.

A growth opportunity awaits

No investment is without risk. The COVID-19 pandemic has turned markets and traditional investments around, while also exposing other opportunities. Cargojet is one such opportunity that is worthy of consideration as part of a balanced portfolio.

CATEGORY

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