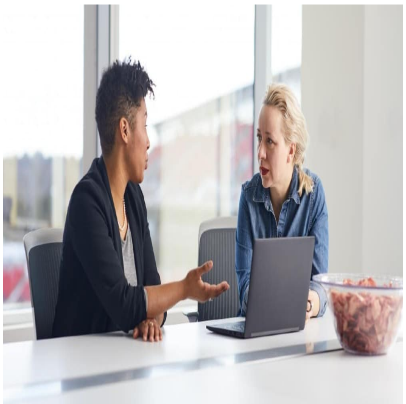

Got $1,000? Invest in This 1 TFSA Super Stock

Description

For Canadian investors with some spare cash, stocks such as **Cargojet** (TSX:CJT) make for welcome additions to a Tax-Free Savings Account (TFSA). Pumping $1,000 into this name will result in a large position with huge upside potential. At $167 a pop, $1,000 won't buy you many shares. However, Cargojet has seen its share price climb 67% in the last 12 months with no sign of letting up.

Cargojet is far from cheap, and its market ratios bear this out. While a P/E ratio isn't the best indicator of value in post-market crash 2020, a reading of 220 times earnings does suggest overvaluation. A P/B of 9.3 times book is further evidence of an overbought name. But the upside potential is suggestive of a buy at any price.

There is some passive income on offer here, too. In terms of dividends, Cargojet's 0.58% yield is on the small side. While its coverage isn't all that great at 153%, this should be reduced in three years to around 23%. The long-term TFSA investor starting a position in Cargojet should therefore be able to add dividend growth to a buy thesis.

A wide-moat stock with high returns potential

From recent insider selling to slimmed down profit margins – potentially a more telling indicator than profits themselves – the data isn't entirely rosy when it comes to Cargojet. Investors also need to consider the revelation that **Air Canada** grew its own cargo-only revenue by 52% during the year's second quarter. While the extra competition may not be an immediate worry, it is nevertheless something to be aware of.

All told, though, Cargojet is a buy for its essential role in the country's supply chain infrastructure. Investors should also be setting their sights on returns. A five-year total returns estimate puts Cargojet at 560%.

These kinds of near-term returns would equally suit an investor with narrower financial horizons. As such, Cargojet stock could fit nicely into a Registered Retirement Savings Plan (RRSP).

Consider, as well, the possibility for Cargojet to rake in 33% earnings growth over the next one to three years. This easily outstrips projected North American market growth for the same period. In addition, Cargojet can expect to see its revenue grow by 7.8% annually. Again, this also beats the market while exceeding estimated revenue growth across the logistics industry.

I was bullish on this name last month, writing, “Cargojet supports quarantine efforts, making for a rare defensive aerospace pick. It does this by being a vital part of the supply chain. Cargojet ships medical supplies and other time-sensitive materials that are essential to social well-being and the fight against the pandemic.

With the capacity to carry 1.3 million pounds of cargo per business night, Cargojet is an extreme wide-moat pick.”

As Canada faces the potential for a second wave of coronavirus infections, time-sensitive cargo could become increasingly relevant. Investors may therefore wish to look past certain aspects of this stock’s data, such as its high valuation.

Cargojet is a well-established market leader with a strongly defensive advantage over other logistics businesses. These factors, plus that growth potential, make for a strong TFSA or RRSP investment.

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