Better Buy: Cargojet (CJT) or Real Matters (REAL)?

Description

Although the pandemic has disrupted many businesses across the world, it has created opportunities for a few companies, such as **Cargojet** (TSX:CJT) and **Real Matters** (TSX:REAL). While the S&P/TSX Composite Index is trading over 3% lower for this year, Cargojet has returned over 75%, while Real Matters's returns exceeded 140%. In this article, we will look at which of the two companies is a better buy right now.

Cargojet

Amid the pandemic, airline stocks have seen a significant value erosion. However, Cargojet, which delivers products across the world, has been an exception. The demand for Cargojet's services has increased due to a surge in e-commerce sales and healthcare-related volumes.

In its recently announced second-quarter results, the company's revenue grew 64.7% on a year-over-year basis to $196.1 million. The growth in revenues from domestic networks, ACMI (aircraft, crew, maintenance, and insurance), and charter segments drove the company's revenue. Its adjusted EBITDA also increased by $53.6 million to $91.1 million.

Moreover, the company's growth prospects look healthy. The significant chunk of its customers signed long-term contracts for guaranteed space and weight allocation on its network. The company sells the remaining capacity to non-contracted customers on a need basis. So, its revenue and cash flows are highly predictable and stable.

With the threat of the pandemic still looming large, even small- and medium-scale businesses have taken their shops online. Further, online shopping is becoming more popular among customers, given the increased safety and convenience it provides. So, this shift in customers' behaviour to online shopping could support e-commerce sales in the long run.

Given its competitive advantage of scale and unique overnight delivery service, Cargojet is well positioned to benefit from this surge in e-commerce sales. Also, air cargo business is highly capital intensive, thus creating a barrier for new entrants and preventing a rise in competition. So, given its impressive growth prospects, I am bullish on the company.

Real Matters

Utilizing its proprietary platforms and the partnership with field professionals, Real Matters provides appraisal and title and closing services to mortgage lenders in both the United States and Canada.

Economic activities across the world slowed down amid the outbreak of COVID-19. So, to boost the economies, the central banks had slashed interest rates. Meanwhile, the lowering of interest rates had led to a surge in refinancing activities, driving the demand for Real Matters's services.

In its recently announced third-quarter results, the company's net revenue grew 52.7%, driven by impressive performance from the title and appraisal segments in the United States. However, the decline in revenues from Canada partially offset some of the sales growth. Its adjusted EPS also increased by 50% on a year-over-year basis.

Meanwhile, economic indicators are still weak. Further, the COVID-19 infections are on the higher side. So, these factors could prevent the central banks from raising interest rates anytime soon, which could benefit Real Matters.

Besides, the surge in refinancing activities has created scalability and performance issues for mortgage lenders with existing vendors. So, it has created a perfect opportunity for Real Matters to acquire new clients and expand its market share. Also, with Canadian provinces beginning to reopen, the performance of the company's Canadian segment could improve.

Bottom line

Although both companies have impressive growth potential, I am going with Real Matters, given its attractive valuation multiple and growing addressable market. Currently, Real Matters trades at a forward price-to-earnings multiple of 28.7 compared to 43.3 for Cargojet.

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