Cargojet (TSX:CJT) Stock Turns $1,000 Into $4,510 in 3 Years: Should You Invest Now?

Description

Shares of Canada's largest cargo airline company, **Cargojet** (TSX:CJT), have repeatedly outperformed the broader markets in the past several years. Its stellar bull run continues in 2020, with its shares rising about 120% on a year-to-date basis.

Owing to the massive appreciation in its stock price, Cargojet is part of the **Toronto Stock Exchange's** TSX30 list. The TSX30 list comprises 30 top-performing stocks that have outperformed the broader markets with their returns over a three-year period.

Investors should note that Cargojet stock has appreciated about 351% in three years, which implies that an investment of $1,000 in Cargojet stock three years back would now be worth $4,510.

Cargojet's stellar returns are backed by the sustained demand and its ability to expand its fleet size and network capacity. A high customer-retention rate and addition of new clients further supported the rally in its stock. The recent surge in Cargojet stock is due to the higher e-commerce and healthcare-related volumes.

But is this uptrend in Cargojet stock sustainable? Should you invest in Cargojet stock at the current level?

Strong base business

Cargojet has consistently performed well over the past several years, which reflects strength in its base business. Its top line has grown at a CAGR (compound annual growth rate) of about 15% since 2015. During the same period, its adjusted EBITDA has increased at a CAGR of about 43%.

In the most recent quarter, Cargojet's top line jumped about 65%. Meanwhile, its adjusted EBITDA soared nearly 142%.

Cargojet's base business's strength is likely to sustain driven by organic growth within its existing customer base and the addition of new customers in both domestic and international routes. Further, strong cost management is likely to support its margins.

Growth catalysts

Cargojet is the only national network that offers next-day delivery service for the courier industry to over 90% of the Canadian population. It gives Cargojet a significant competitive advantage and continues to drive its growth.

About 75% of Cargojet's revenues have long-term contracts with minimum revenue guarantees and cost pass-through provisions. Further, these contractual arrangements have CPI-based annual price increases.

The cargo airline company has retained all of its major customers, which is encouraging. It consistently expands its network capacity and fleet size to meet the growing demand. Also, Cargojet is focusing on optimizing its costs, which should cushion its margins.

Should you invest in Cargojet now?

Cargojet's operating metrics look solid and indicate that the momentum in its business is likely to sustain in the coming years. Continued demand for air cargo services, its ability to consistently generate strong revenues and cash flows, and long-term secular trends in the e-commerce segment are likely to drive its stock higher.

Investors should note that Cargojet experiences the highest customer demand in the fourth quarter due to the increased retail activity for the holiday season. You can consider buying the shares of Cargojet at the current levels, as the steep rise in demand could continue to support the uptrend in its stock in the near term.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

Category

1. Coronavirus
2. Investing

Date
2025/08/27
Date Created
2020/10/15
Author
snahata