



## Up 110% in 2020, Is Cargojet (TSX:CJT) Stock a Buy?

### Description

As the U.K. starts deployment of the Pfizer COVID-19 vaccine this week airline stocks will be waiting eagerly to see the results. The quicker the vaccine is declared successful, the quicker stock prices for this battered sector will move up.

While **Air Canada** seems like an obvious choice, another stock to [pay close attention to](#) is **Cargojet** ([TSX:CJT](#)).

The stock plummeted in March but has made a solid comeback as it became evident that it was performing an 'essential' service transporting goods across the continent.

Its share price has more than doubled since March and that's a primary reason that market players think that Cargojet has run its course. With a market capitalization of over \$3.27 billion, this stock still has significant upside.

### Cargojet's strong financials

Cargojet primarily provides domestic air cargo services to 15 major cities in Canada. As the vaccine rollout begins, it will be this cargo provider that drug makers and the government will turn to, for transportation of their products.

Cargojet announced its Q3 financials last month and continued to impress. It operated with near-peak level volumes and much-improved flying hours.

Total revenue came in at \$162.3 million for the quarter against \$117.4 million in the prior-year period, an increase of 38.2%. Its gross margin also increased by \$28.5 million compared to Q3 of 2019. Adjusted EBITDA was \$78.1 million against \$39.1 in Q3 of 2019.

Average cargo and passenger charter revenue per operating day also increased to \$2.73 million from \$1.71 million in 2019. With back-to-back successful quarterly performances, Cargojet could generate \$59.3 million adjusted free cash flows during the third quarter and a nine-month total of \$144.8 million.

Adequate free cash flows would lead to further expansion opportunities and the board of Cargojet is going to take full advantage of its stellar performance to leverage its performance further.

## Increased traffic on e-commerce platforms

Cargojet is keen on increasing its worth. On November, 25, it [disclosed](#) plans to further amplify its sales volumes exceeding the peak level for the coming period starting from Black Friday till early January.

It had already successfully handled near peak level sales earlier this year and is expecting a much higher wave for the upcoming holiday period.

E-commerce sales in Canada for the March-September period of this year had increased by about 68% compared to last year. This trend is expected to increase further during the peak season of Q4.

Thousands of small businesses have opened online stores for the first time. Cargojet is primed to exploit this opportunity to its benefit. Its next-day delivery capabilities coupled with a strong competitive position will benefit the company immensely, which will also increase demand.

Cargojet's revenues and volume of operations are expected to witness stellar growth in the upcoming quarters. The stock trades at \$209.97 right and analysts have given it a target of \$261.85.

That's an upside of almost 25% from current levels. It's a great stock to acquire and hold for the near-term.

### CATEGORY

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