



This Tiny Airline Is Beating Air Canada (TSX:AC)

Description

Air Canada ([TSX:AC](#)) is Canada's biggest airline. With a \$7.5 billion market cap, it's the biggest player in the Canadian aviation industry. That doesn't mean it's the nation's *best* airline, though. In 2020, several of Air Canada's North American competitors are beating it on revenue growth, profitability and stock performance. In this article, I'll be highlighting one tiny, unknown airline that's beating Air Canada on basically every relevant metric.

Cargojet

Cargojet ([TSX:CJT](#)) is a [Canadian cargo airline](#) that specializes in time-sensitive, overnight deliveries. Its focus on small deliveries means that it gets a lot of orders from e-commerce vendors. This fact enabled the company to grow in 2020, when most airlines shrank or even lost money.

All of Cargojet's 2020 quarters showed massive growth. As a quick sampler, we can look at the first-quarter figures:

- Revenue: \$123 million, [up 11.4% from the previous year](#)
- Gross margin: \$32.2 million, up 51.9% from the previous year
- Adjusted EBITDA: \$40.2 million, up 24.5% from the previous year
- Adjusted EBITDAR: \$40.2 million, up 23.3% from the previous year

The results in the second and third quarters were similar to those seen in the first. In both quarters, revenue, adjusted EBITDA, and gross profit all grew by 20% or more year over year.

And it's not only Cargojet's business that thrived last year. Its stock soared as well. In the past 12 months, CJT is up 102%. AC over the same period is down 53%. It goes without saying that CJT's performance in 2020 beat Air Canada's. The question is, why?

Why Cargojet beat Air Canada

The differences between CJT and AC in the past 12 months come down to their business models:

- AC is a passenger airline that can't operate normally when self-isolation orders kill demand and international travel restrictions force it to shut down routes.
- CJT is a cargo airline that takes no particular damage from the economic realities brought about by COVID-19.

The points above go a long way toward explaining why CJT has been beating AC recently. But, in fact, they understate the case. CargoJet has not only survived but thrived amid the pandemic. As a transporter of time-sensitive overnight packages, it ships a lot of orders originating from companies like **Amazon** and **Shopify**. As a result of the retail business closures that occurred last year, these companies got a lot more orders than usual. That resulted in increased sales for Cargojet. So, the company was able to thrive while most airlines were losing money.

Can it continue?

It's one thing to note that Cargojet had a good year last year, but quite another to say that its good fortunes will continue. As previously mentioned, CJT benefitted from the surge in e-commerce shipments last year. When the COVID-19 pandemic winds down, that trend will slow, and the huge revenue growth seen this year likely won't be replicated. However, massive growth in e-commerce was a long-term trend before COVID-19 came on the scene. It may decelerate this year, but it will still be a thing. In light of this, CJT probably has a good future ahead of it.

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Date

2025/07/07

Date Created

2021/01/10

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