1 Growth Stock That's Starting to Heat Up Again!

Description

Cargojet (TSX:CJT) is a former market darling that's been slogging ever since it peaked out in November of 2020. Undoubtedly, the cargo airliner had the wind to its back through the worst of the pandemic, as e-commerce sales soared amid lockdowns and other restrictions. That's a major reason why I referred to Cargojet as the only airline that was worth buying in the depths of last year.

While shares of Cargojet are still up around 140% from their ominous 2020 lows, I think the latest 33% sell-off gives Canadian investors a second chance to pounce on a name that's poised to continue benefiting from the booming e-commerce industry.

The case for buying the growth stock on this latest dip

Yes, e-commerce was bound to fall into a bit of a hangover at the expense of brick-and-mortar. But in due time, the trend will reverse, with or without further COVID-induced lockdowns. Why? The coronavirus crisis has likely propelled e-commerce far into the future. Undoubtedly, the secular trend has been given a jolt, as reluctant shoppers were forced to "discover" digital retailers because there wasn't any choice during the worst of last year's lockdowns.

Many of these formerly reluctant shoppers will probably continue shopping online, even after COVID-19 is eliminated and brick-and-mortar retailers stay open once the risk of contracting COVID-19 falls toward zero.

Realistically speaking, the risk of catching COVID-19 will probably fall to zero — eventually. Insidious variants, vaccine hesitancy, and waning vaccine effectiveness with time could push the ultimate goal of herd immunity farther and farther away. And with the risk of potential future waves comes the potential for e-commerce and cargo jet airlines to get future short-lived boosts.

In short, a name like Cargojet is riding high on a secular trend that's likely to continue strong, regardless of what turn the pandemic takes next.

Cargojet impresses in its second quarter

Earlier this month, Cargojet pulled the curtain on its Q2/2021 earnings results. Adjusted EBITDA came in slightly ahead of expectations at $67.4 million. Not at all a bad quarter given the year-over-year comparables. Moving ahead, I expect e-commerce will pick up again, and Cargojet's growth could stand to pick up again, as more consumers become bored of shopping at physical retailers.

Moreover, I'd look for Cargojet to pursue international expansion opportunities to accelerate growth. Cargojet is making smart investments across the cargo airline space of late. Recently, the company took a 25% stake in a small U.S.-based cargo airliner named 21Air.

Cargojet's growth could re-accelerate

The deal was met with great applause by some investors, including the likes of fellow Fool contributor Kay Ng, who sounds pretty bullish on Cargojet's long-term plan to expand across various parts of the globe. Kay thinks the stock is too cheap here, and I couldn't agree more.

Despite the modest bounce following this latest +30% sell-off, investors still seem to be discounting the firm's ability to acquire its way to a richer growth multiple. At just north of five times sales, Cargojet is cheap relative to its growth prospects and the profoundly powerful secular trend it plays.

CATEGORY

1. 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. Smart News
8. Yahoo CA

PP NOTIFY USER

1. arosenberg
2. joefrenette

Category

1. Investing

Date
2025/08/26
Date Created
2021/08/27
Author
joefrenette