Why Cargojet Stock Is up 11% in the Last Week

Description

Cargojet (TSX:CJT) seems to be making a comeback after falling quite low from all-time highs of around $221 last year. In the past week alone, shares jumped from about $157 to $175 as of writing, providing a return of 11% as of writing.

What happened?

Recent growth comes from analysts weighing in on Cargojet ahead of earnings season. In fact, while many expected the stock to do well, analysts have been bumping their targets ahead of earnings.

Most recently, **RBC** Dominion Securities analyst Walter Spracklin increased his EBITDA expectations for the company. Spracklin now believes Cargojet will reach $90 million, up from $75 million. This comes from the flooding in B.C., causing products to be shipped by air rather than rail and trucks.

Now, Spracklin believes Cargojet is “best positioned” to be his “top name in transportation.” He reaffirmed his “outperform” rating as well as the $295 target.

So what?

If you think that the recent B.C. flooding is the only reason for Cargojet’s growth, you’re dead wrong. Cargojet continues to advance forward, creating long-term supply for air cargo by purchasing 10 new aircraft and adding two new destinations.

The company has an average analyst target price of $249. That’s a whopping 42% higher than today’s share price. So, what gives?

The recent pullback in tech and e-commerce stocks is what. These companies saw so much growth,so fast. It then caused investors to take their returns as the market slumped. And that includedCargojet — especially as many feared air cargo wouldn't continue once the world returned to "normal,"whatever that is.

Now what?

Cargojet was making plans long before the pandemic came along. It created a partnership with **Amazon**, which has absolutely proved fruitful. It's added those aircrafts and destinations, as I mentioned. But you also can't rule out the pandemic. There has been a shift towards air cargo during this time, and that's a shift that won't go away, according to Spracklin.

"Reflecting this shift, we view it as likely that CJT's new aircraft will be contracted out prior even to their delivery, which we expect to drive double-digit EBITDA growth out to 2025," said Spracklin in his report. "In addition, e-commerce trends remain solid, which we expect to drive strong Q4 results as well as long-term growth in each of CJT's business units (i.e., domestic overnight, ACMI, and Charter)."

As for valuation? This is an opportunity not to be missed, say analysts. Shares of Cargojet are still down 15% in the last year but making significant moves this last week. Spracklin therefore believes now is the time to get in on this investment opportunity while it remains weak — especially for long-term investors.

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