



Cargojet Stock Jumps 10% on New Strategic Deal

Description

Cargojet ([TSX:CJT](#)) shares jumped 10% on Tuesday, as the cargo airline announced a long-term strategic deal with DHL Network Operations.

What happened?

Cargojet stock announced the strategic deal with DHL for a five-year term, with the option to renew for an additional two years afterwards. The deal would allow Cargojet to provide air-transportation services for the DHL global network.

Cargojet [currently](#) has 12 freighters under use for DHL. This will increase by five for 2022 to 2023. It will also add its long-range cargo aircraft in 2023 or early 2024, when Cargojet stock launches its B-777 plane.

So what?

Cargojet stock is mainly a North American company. The deal with DHL expands that at an incredible pace. DHL's international requirements will allow Cargojet to fly to Europe, all of Latin America, as well as into Asia.

The deal helps the company diversify its services as well as boost its earnings — something that investors have been fearful of, now that pandemic restrictions allow for less e-commerce growth. Furthermore, DHL will acquire up to 9.5% of outstanding shares at \$158.92 over the next seven years. This is tied to delivery by DHL of up to \$2.3 billion in business during that time.

Now what?

A deal like this hasn't been seen since Cargojet stock partnered with **Amazon** before the pandemic. It was similar, and, frankly, the deadline should be [approaching](#) next year for Amazon to up its stake in

the company as well — especially with this deal with DHL.

This new deal allows Cargojet stock to enter the global market — something the company has been working towards the last few years. Such an expansion could mean that Amazon seeks to increase its services as well — something that Cargojet investors will be thrilled to hear should it come to fruition.

Cargojet stock is up 8% as of writing, trading at 18.54 times earnings.

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