



## How Did Cargojet Perform in Q1 of 2022?

### Description

Cargojet is a Canada-based company that provides air cargo services to major cities in North America. These services include ACMI (aircraft, crew, maintenance, and insurance) and International Charter services, and it carries over 25 million pounds of cargo weekly.

Cargojet announced its results for the first quarter of 2022 yesterday and reported revenue of \$233.6 million with a loss of \$3.26 per share. Comparatively, Bay Street forecast the company to report revenue of \$208.04 million and earnings of \$1.46 per share in Q1. In the year-ago period, Cargojet reported revenue of \$160.3 million and earnings of \$5.24 per share.

Let's see what impacted the company's financials in the March quarter.

### Cargojet reports an adjusted net income of \$30.4 million in Q1

In Q1, Cargojet increased sales by 45.7% year over year and ended the quarter with a gross margin of 28.3%. The company's gross margin was similar to the year-ago period, but it managed to reduce operating costs by 28.3% in Q1. While it reported a net loss of \$56.4 million, Cargojet's net income stood at \$30.4 million after adjusting for warrant valuation losses.

Cargojet attributed its revenue growth to a strong contribution from the All-in Charter segment on the back of robust demand for global air cargo. Its domestic network sales were up 10.3%, while ACMI rose by 36.2% year over year in Q1. Comparatively, the Charter business surged by 298% in this period. Further, domestic revenue accounted for 37% of total sales compared to more than 47% in Q1 of 2021.

In the quarter ended in March 2022, Cargojet's adjusted free cash flow stood at \$42.7 million, up from \$35.2 million in the same period in 2021.

Cargojet remains wary of the challenging macro environment which is uncertain and volatile. However, the disruptions in the supply chain will create demand for air-cargo services, and Cargojet is wellpoised to benefit from this “emerging opportunity.”

Dr. Ajay Virmani, the president and CEO of Cargojet, [stated](#), “Ever since March 2020, we have been constantly adapting to the changing air-cargo landscape. The recent geo-political events have further added pressure on the already strained traditional supply chains but they are also creating new opportunities for air-cargo.”

## What’s next for investors?

Cargojet believes investments made in aircraft acquisition and technology will allow the company to scale up its business effectively. However, an inflationary environment, rising oil prices, and the threat of multiple interest rate hikes will continue to weigh on company financials.

In the last 12 months, CJT stock has lost close to 17% compared to the 13% gain for the TSX. Similarly, while the TSX is down 6% from record highs, Cargojet shares have declined almost 40% from all-time high prices.

Cargojet is valued at \$2.66 billion by [market cap](#) and is forecast to report sales of \$930 million in 2022. So, the company is valued at a reasonable price-to-forward-sales multiple of 2.86 times. While CJT stock has trailed the broader markets in the last year, it has created massive wealth for long-term investors.

Despite the ongoing selloff, Cargojet has returned a staggering 2,260% to investors in the last 10 years. Right now, it’s trading at a discount of 56.5% to average analyst estimates.

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