



Growth Investors: 2 Potential Winners Amid a Perfect Storm

Description

The energy sector continues to lead the way in 2022 due to elevated commodity prices. However, the industrial sector has performed better in the last 30 days, gaining nearly 10%. Growth investors waiting for the rebound of tech stocks should instead focus on two standouts outside the sector.

Cargojet ([TSX:CJT](#)) and **TFI International** ([TSX:TFI](#)) ([NYSE:TFII](#)) have reported sterling earnings results in Q2 2022 amid a perfect storm. Both have visible growth runways, so buy them now before the imminent breakouts.

All-important cargo

Cargojet's sole purpose and mission since commencing operations is to fly cargo. Its president and CEO Dr. Ajay Virmani said, "Unpredictability of belly space was the reason Cargojet was born over 20 years ago. We have built a brand that is trusted by our customers to keep its promises and the recent macro events have further strengthened our resolve to stay focused on serving our customers."

The industrial stock is a perennial TSX30 winner (2019 to 2021) along with **Shopify**, **Wesdome Goldmines**, and **Ballard Power Systems**. Cargojet was the toast of the town in 2020 at height of the coronavirus outbreak. It rewarded investors with a 109% [return on investment](#) (ROI) for the year.

On a year-to-date basis, Cargojet still trades at a discount (-10.54%), although it shouldn't for long. The \$2.56 billion company is the leading provider of time-sensitive premium air cargo services to major cities in North America. In Q2 2022, total revenue increased 43% to \$246.6 million, despite the macro uncertainties and extremely difficult operating conditions.

Net earnings for the quarter reached \$160.9 million compared to the \$11.1 million net loss in Q2 2021. Management said that notwithstanding the short-term volatility, the secular shift to e-commerce continues to hold steady with demographics. It added that the long-term trends continue to present long-term growth opportunities.

Dr. Armani said that Cargojet isn't immune to the global forces of high inflation, high fuel prices, and

geopolitical uncertainties. However, management remains prudent in approaching the next few quarters. It will balance investing in growth while maintaining a strong balance sheet.

Market analysts' 12-month average price target is \$210.17 — a 42% appreciation from the current share price of \$148.41. The overall potential return should be higher, including the 0.77% dividend.

Essential business

TFI International, through its wholly owned subsidiaries, operates in the transportation and logistics industries of Canada, Mexico, and the United States. For Q2 2022, its chairman, president, and CEO Alain Bédard said, "Our adjusted net income grew 76% over the year-ago quarter and our free cash flow expanded another 16% above already strong levels."

Bédard added, "TFI International produced exceptionally strong results, despite volatile macro conditions, with strong across-the-board performance and robust free cash flow that demonstrates the strength of our operating principles, a wealth of internal levers to drive efficiencies, and the growing diversity of our end markets."

This industrial is also among the top 30 growth stocks in 2021 (rank 20). The total return in 3.01 years is 233.63% (49.21% compound annual growth rate). TFII trades at \$127.90 per share and pays a 1.11% dividend. It also has a dividend-growth streak of 11 years.

Winning options

Tech stocks might take longer to recover from a slump. However, growth investors have winning options in Cargojet and TFI International.

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