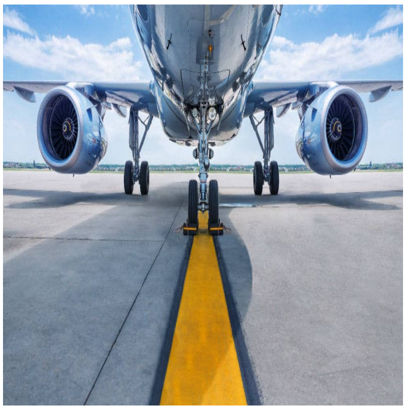

Cargojet Stock Jumped 13%: Is it a Buy Now?

Description

Cargojet (TSX:CJT) shares jumped 13% this week as the cargo airliner reported strong earnings. The company had an incredible third quarter, with revenue up 20% year-over-year, and an $83.4-million-dollar profit, compared to a loss the year before.

Despite increasing inflation, and a slump in e-commerce purchases, Cargojet stock managed to come out on top. And it's all thanks to a new strategy, according to management.

What happened

The new strategy discussed by Cargojet's management team included strategic planning for a potential recession, and a decrease in consumer spending. The company continues to supply the capacity required to keep up with customer demand, while planning future business transactions.

It was these successful business-to-business transactions that helped during this quarter, management said. Long-term contracts continue to support the company, even if cargo numbers decline.

Deals such as those with **DHL** and **Amazon** are proof of this, with the former set to bring in an estimated $2.3 billion over seven years.

Economists react

The news led economists to fire off share estimates and provide their two cents about the recent news. The company retained balance sheet flexibility, managed capital spending, and have a growth strategy in place that should remain stable at least for the next few years.

In particular, analysts approved of Cargojet's expected domestic growth for full-year 2023, whichshould be in the high-to-low single-digits. Furthermore, it retains the ability to cancel or defer up toUS$300 million in future aircraft acquisitions. This will allow the company to keep cash on hand in arecession.

Even if charter assumptions go down this year, economists are confident that the company is a solid buy. Furthermore, they're confident that the stock has a potential target price of over $200. In fact, some marked it as high as $275!

Should you buy it?

Cargojet stock seems like a great buy at these prices. You can lock in an astounding deal right now, with shares down 21% year-to-date. The fundamentals are sound as well, with Cargojet stock trading at just 11.94 times earnings as of this writing.

It gets better. Cargojet stock trades at 2.97 times earnings and remains in an enviable position in terms of its balance sheet. It would take just 71.94% of its equity to pay off all of its debts. This makes it a strong buy with a balanced portfolio.

Also, Cargojet stock is growing all the time. We've seen these business-to-business deals coming through. More could be on the way after a potential recession, once we enter a period of growth. Plus, Cargojet is ready to take on a looming recession with US$300 million on hand, so it should come out the other end as strong as ever.

That's in large part thanks to long-term contracts such as the ones mentioned above. These will provide years of income, even if consumer demand goes down. Investors should certainly keep that in mind with these prices.

Bottom line

Cargojet stock may be down 21% year-to-date, but it's up 1,995% in the last decade. That's a compound annual growth rate (CAGR) of 35.53%! Even after a pullback from all-time highs. Plus, most of that growth came in before the deals with DHL and Amazon. So, if you're looking for even more growth in the years to come, I would certainly consider Cargojet stock at these levels.

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