Forget Shopify: This Stock Could Have 820% Returns by 2025

Description

Hunting for steep upside? **Shopify** (TSX:SHOP)(NYSE:SHOP) is looking at 68% earnings growth over the next couple of years. If the current trajectory persists, its total returns could be staggering – easily in the 3,300% range.

But this relies on Shopify's performance during the early days of the pandemic being sustainable. And it isn't. Moreover, Shopify trades 132% higher than its fair value, and at a whopping 25.5 times book value.

A better stock for steep upside?

Cargojet (TSX:CJT) could reward investors with around 820% total returns by the middle of the 20s, with earnings growth in the 58% range. And while Shopify also operates in a growth area – e-commerce is likely with us to stay as a retail model – Cargojet's growth is founded on a return to something resembling normalcy.

Also, despite its own high P/B (Cargojet trades at 12.7 times book), this name is actually technically undervalued in terms of future cash flows. Analysts also give a high target of $250, which is still far in excess of the current $183 price tag. So with 36% upside potential and a soaring rate of returns over the next five years, Cargojet investors could be onto a winner.

Cargot is defensive, making it a strong play during the pandemic. But a recovery will bring its own benefits. For one thing, Cargojet shareholders can expect the company to ship more cargo once consumer sentiment improves. This name is also a play for vaccine investing, since the aviator's stock in trade is time-sensitive materials shipping, putting Cargojet front and centre of a vaccine rollout.

Cargojet has seen strong positive momentum of late. Its 12-month share price growth rate of 110% is impressive. Over the last three months, Cargojet has climbed by 38.8%. More recently, Cargojet's rate of climb has slowed to 15%.

Now let's examine Shopify's share price trajectory. Over the last 12 months, share price growth has outstripped Cargojet's at 170%. But over the last three months, Shopify's growth rate has been lower at 23.6%. Worse still, Shopify's share price growth in the last four weeks has slowed to a barely positive trickle at just 0.56%.

Check the data before you buy

So for all Shopify's tech stock hype and bluster, it's actually the supply chain infrastructure play that wins on momentum. Cargojet outpaces Shopify in three-month and one-month share price appreciation. The aviator also satisfies a vaccine/recovery investment strategy. This is the polar opposite of Shopify, whose share price performance is inversely proportional to broader market rallies.

The bulls have run Shopify to the point that it's now overvalued. Investors new to the stock may feel – and rightly so – that they have missed out. While it's not a tech stock or an online retailer, Cargojet could be a better alternative for upside.

At the end of the day, upside is upside. It doesn't matter whether momentum comes from a tech stock, an airline, a food stock, or a miner. What matters is the company's story and its place in a broader market. And investors have already had a taste of what a vaccine breakthrough can do to overvalued tech stocks.

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