3 Industrials to Consider for Your Portfolio

Description

There are plenty of great companies worldwide in the industrials sector, but unfortunately not so many in Canada – in fact industrials make up only about 7.5% of the **S&P/TSX 60**. And if you exclude the two railroads, then industrials make up less than 1%. Industrials make up over 10% of the **S&P 500**.

That being said, there are still some industrials in Canada you should consider for your portfolio. Below we look at three of them.

1. SNC Lavalin

SNC Lavalin (TSX: SNC) is Canada's leading engineering and construction company, with a strong presence in various business lines. Unfortunately, the company is still suffering from an image problem thanks to a series of corruption scandals two years ago, despite every effort to turn the page.

The good news is that these image problems have helped keep the share price down, to the point where SNC is trading well below its peers. And once you look beyond its past issues, it really is a great company. Revenues are diversified, there's minimal exposure to cyclical industries, there are some great underlying assets (such as a stake in Highway 407), and a there's a revenue backlog of $8.3 billion.

2. Bombardier

It's been a rough year so far for **Bombardier** (TSX: BBD.B) and its shareholders. First came an announcement that its C-Series aircraft would be delayed (yet again), then an announcement that **Air Canada** would be retrofitting its planes rather than buying new ones from Bombardier.

Even worse, Bombardier has a $3.4 billion partnership with the Russian government, putting the company between a rock and a hard place. And most recently, Bombardier announced a delay in its flight test program for the Learjet 85 business jet due to engine problems.

The only real reason to buy Bombardier stock is its price, which is now trading below $4 per share. If the company can get back on the right track, there's a lot of upside.

3. CAE

Finally, **CAE** (TSX: CAE)(NYSE: CAE) is the world leader in simulation-based flight training, with revenues split about evenly between civil and military customers.

CAE stands to benefit from some very big trends. One is the growth of air travel, especially in emerging markets. Another is a looming pilot shortage, again driven by emerging markets. And of course there is still plenty of regional tension and conflict – especially in Ukraine, the Middle East, and East Asia – that will help sustain demand for CAE's military products and services.

The main issue with CAE's stock is its price; the shares have returned over 40% in the past year, and as a result the company now trades at over 21 times earnings.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)
2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:BBD.B (Bombardier)
4. TSX:CAE (CAE Inc.)

Category

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