



3 Canadian Aerospace Stocks You Might Have Overlooked

Description

Energy and banking are perhaps the greatest strengths of the TSX — and the Canadian economy. But Canadian aerospace is well represented and looks poised to really take off in the mid to long term. With air transport nudging its way into the realm of defensive stocks, let's take a look at three companies worth booking a ticket with for a flight to financial success.

What's lighting the jets for a high-flying aerospace industry?

There are a few factors at play that could give the aerospace industry a boost this summer. The economy is doing well, which means more money in people's pockets (or, let's face it, easier access to credit), which, in turn, means lots of flying.

There's also military spending. It might not be the first thing people think of when they consider the Canadian economy, but defence spending is putting a lot of power back into the air travel sector. Following the resurgence of hawkishness south of the border, Canadian defence spending is set to receive a \$62 billion injection, bringing us more in line with our American colleagues.

We're not going to start talking Cold War politics here, but let's just say that the tectonic plates of global power are shifting, and Canada appears to be positioning itself accordingly. While this might make for unnerving reading, the good news is that shrewd investors definitely have an opportunity on their hands as new and exciting areas of the economy start to receive stimulation.

Not your obvious choices, but good ones

Sure, you could stick to the [popular choices](#) when it comes to aerospace stocks, but where would be the fun in that? The problem with buying stock according to the headlines carried by major news outlets is that by the time you see it, the news is stale. "Airline Company XYZ Stocks Soar in Value!" just means that you've missed your flight when it comes to sensible investing.

Let's check the radar and see who's coming in to land.

Magellan Aerospace Corp. ([TSX:MAL](#)) might be the better known of the three choices we've listed

here. Defence and space are its bread and butter, and its components are highly sought after. Magellan is also a [moderate dividend stock](#), currently paying \$0.085 per share. With big contracts coming in from **Boeing**, among others, you'd better believe that Magellan is a key industry player worth investing in.

Heroux-Devtek Inc. ([TSX:HRX](#)) is a decently sized aerospace company that mainly deals in components for other companies. It designs, tests, builds, and repairs landing gear, electronics, and all those other fiddly bits you don't want to see while you're actually flying. With a market cap of \$558 million and contracts with the U.S. Air Force, Heroux-Devtek is more than a moderate buy. It paid a special cash dividend of \$5 per share in 2012, so you can expect the odd windfall if you hold on to this stock long term.

Bombardier, Inc. ([TSX:BBD.B](#)) also does trains, but we're including it here for its involvement in aerospace. Big players in airplane design and manufacture, Bombardier also makes fuselages, wings, and engine parts for other companies. Paying \$0.025 per share, Bombardier is nicely diversified (thanks to its land-based transport assets) and has an enviable customer base, including **American Airlines Group Inc.**

The bottom line

So, should you think flying next time you're buying? We're not the only analysts saying yes. Signs are good across the board that some top stocks in the Canadian aerospace industry would be wise additions to your portfolio, even if you already own other transportation stocks. Follow the money and let the defence spending and summer tourism boom pilot your investment choices this summer to new heights.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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Date

2025/08/20

Date Created

2018/05/17

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