# Buy These 2 Aerospace Stocks and Watch Your Dividend Growth Portfolio Fly Higher

## Description

Canada has a number of excellent dividend-paying stocks. The problem is that many of these companies are in the same industries such as banking, telecommunications and energy. For this reason, it can be difficult to find companies that pay excellent dividends but still provide opportunities for diversification by industry and geographic footprint.



There is one sector in which Canada has a couple of excellent companies to complement your dividend portfolio. **Magellan Aerospace Corp.** (TSX:MAL) and **CAE Inc.** (TSX:CAE)(NYSE:CAE) are two companies that you should consider adding to your dividend growth portfolio.

It is worth adding both of these dividend growth companies to your portfolio, as both CAE and Magellan will offer some diversification. Both these companies have broad international operations and revenue streams, especially given that much of these companies' revenues are received in currencies other than the Canadian dollar.

**Magellan Aerospace Corp.**

Magellan Aerospace Corp. manufactures products for multiple segments of the aerospace industry. The company produces parts for many types of equipment ranging from space shuttle payload equipment to rocket weapons systems.

While several one-time events, such as the construction of its new facility in Mississauga and fluctuations in the British pound, impacted Magellan's revenues and earnings in Q1 2018, Magellan has generally had a good track record of increasing revenue, earnings, and free cash flow in recent years.

Magellan has a strong balance sheet, which allowed the company to pay out quarterly dividends since 2013. At the current share price, the dividend is small at just under 2%, but Magellan has been growing the dividend since instituting it several years ago, and maintains a low payout ratio. The dividend is easily covered and there appears to be room for further dividend increases in the future.

**CAE Inc.**

CAE has an interesting business model. Where Magellan is focused on producing parts for use in aerospace equipment, CAE is involved in providing training systems for pilots in both the civilian and military segments.

Year over year, CAE has performed very well financially. As of its Q4 2018 quarterly report, the company reported an 11% increase in revenue overall. Net income over the same time period increased 49%. Approximately 60% of its revenues are recurring from long-term government contracts. The company is therefore potentially more stable than a pure manufacturing company.

While it doesn’t have a large dividend at just over 1% at the time of writing, CAE has raised its quarterly dividend yearly for over a decade. The company’s strong financial position and earnings stability give investors confidence that it will be able to continue paying — and possibly raising — dividends in the future.



While both Magellan and CAE would make excellent long-term positions for dividend growth investors, it’s important to consider that of the two companies, Magellan appears to be the cheapest at current prices. CAE has had an excellent run recently and may be due for a short-term pullback. However, both companies could be added at current prices for buy and hold investors.

**CATEGORY**

1. Dividend Stocks
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