



2 Stocks With Growth Potential in an Industry That's Literally Flying!

Description

With political uncertainty and cross-border tensions on the rise, enhanced security infrastructure is of the utmost importance. As a result, increased government spending in the defence and aerospace industry has reaped solid returns for investors. For example, the S&P 500 Aerospace & Defense Index has generated five-year annualized returns of 19.66% compared to the S&P 500's five-year annualized returns of 12.21%.

In a year that has seen a false missile alert, a trade war, humanitarian crises, and much more, it is clear the defence industry provides a necessary service to the world. Aside from the social aspect, investing in the aerospace and defence industry could provide a degree of stability to your portfolio.

One industry leader that investors should pay close attention to is **United Technologies Corporation** (NYSE:UTX). United Technologies Corporation (UTC) is a multinational conglomerate that is poised for growth. The company operates a diversified portfolio of subsidiaries, such as Otis Elevator Company, Pratt & Whitney, UTC Aerospace Systems, and UTC Climate Controls & Security.

UTC is set to acquire Rockwell-Collins for US\$30 billion later this month. The acquisition will bolster UTC's aviation manufacturing division in pursuit of streamlining efficiencies and increasing market share. If UTC is successful with the Rockwell Collins acquisition, it could benefit **Magellan Aerospace Corporation** ([TSX:MAL](#)) as a subcontractor.

Magellan is a Canadian manufacturer and supplier of specialized components for aeroengines and aerostructures. The company provides unique systems solutions and advanced products to the military, industrial power, and space markets. Magellan is a partner of UTC and has several long-standing contracts with the aerospace titan. Most recently, Magellan secured a supply agreement with Pratt & Whitney for \$81 million.

What makes Magellan an attractive long-term investment?

First and foremost, the company is well managed and growing at [an incredible rate](#). From 2014 through 2017, Magellan increased year-over-year earnings, while managing to reduce long-term debt. In fact, earnings per share have more than doubled over the past five years.

For the 2017 fiscal year, Magellan outperformed the industry average in terms of the gross margin, operating margin, and profit margin. The management team has also been effective in increasing dividend yields over the [past five years](#). Magellan's history of profitability is an encouraging sign and the company currently pays a dividend of 1.91%. If the past five years are any indicator and the company can keep up its excellent performance, that dividend yield should grow.

As mentioned before, investing in the aerospace and defence industry provides a level of stability to a portfolio largely due to the fact that governments are the primary customers. With NATO's secretary general recently reiterating that member countries have committed to spend approximately 2% of GDP on defence and security, the argument that the sector should see continued growth is solidified. All in all, the market outlook is positive for Magellan Aerospace — a company whose share price has gained returns of nearly 200% over the past five years.

Evidently, it may be a grounded decision to take a flyer on this stock.

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