# The 1 Dividend Stock I Want in My Portfolio Next Year

## Description

North American markets have suffered steep declines in the fall. Investors are entering the final weeks of 2018 under a cloud of uncertainty. Rising interest rates, slowing global growth, and threats of trade war have investors running scared. In this environment it is harder than ever to find a “sure bet,” at least compared to the previous decade.

Today I want to focus on a stock that is in a great position to benefit from its footprint in growing industries. **CAE** (TSX:CAE)(NYSE:CAE) is a Montreal-based company that manufactures simulation technologies, modelling technologies, and training services to major industries which include civil aviation, healthcare specialists, and the defence sector.

Shares of CAE have climbed 12% month-over-month as of close on December 4. The stock is up 13% in 2018 so far. CAE released its fiscal 2019 second-quarter results on November 13.

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Revenues climbed 20% year-over-year to $743.8 million, and earnings per share rose 15% excluding a gain on divestiture of the Zhuhai Flight Training Centre (ZFTC). CAE reported a record $8.7 billion backlog and announced an agreement to acquire **Bombardier** Business Aircraft Training (BAT) post quarter.

In previous articles, I’ve discussed why CAE is one of my favourite stocks due to its exposure to the defence sector. Second quarter defence revenue at CAE was up 18% year-over-year to $320.3 million. Segment operating income increased 2% to $34.1 million. Notable order wins in the quarter included contracts with the Royal New Zealand Air Force, the U.S. Air Force, Navy, and Army. The defence backlog hit a record $4.4 billion in the quarter.

Defence spending is soaring across the developed world as nations prepare for a new era of intensified geopolitical competition. Canada has vowed to increase its military spending by 70% over the next decade. The Trump administration pushed through an enormous spending package that received bipartisan support and will see U.S. military spending exceed $700 billion this year.

Canada has still received pressure even after its pledge to significantly increase its military budget. In a November NATO parliamentary meeting, Canada received criticism from the United States and other members. These members contend that Canada has failed to lay out a plan to meet the NATO defence spending requirement of 2% of GDP. The Conservative opposition has also hinted that it plans to make increased military spending part of its platform, and the 2019 federal election is looming large.

CAE announced that it would pay a dividend of $0.10 per share effective December 31, 2018, representing a modest 1.4% yield. The company has delivered 10 consecutive years of dividend growth. CAE stock has increased 120% over a five-year span, so its primary appeal centres around its growth prospects. The extra income is a boon for those eager to bet on its long-term trajectory.

At an RSI of 62, CAE is nearing overbought territory in early December. I love CAE’s long-termoutlook, but investors may want to wait for a pullback before stacking shares in late 2018 or early 2019.

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