



3 Ways This Stock Is Poised for Massive Growth

Description

When you talk of [aerospace and defense stocks](#), American names such as Boeing and Lockheed Martin comes to mind. These are the industry giants worth billions of dollars. Although the market cap of Canada's **Heroux-Devtek Inc.** ([TSX:HRX](#)) pales in comparison, these two icons are among the prominent clients of the company.

Heroux-Devtek is known worldwide, but not as a jet or a plane maker. The products and services they provide are essentials in the aerospace market. There's simply no way the demand for Heroux-Devtek's landing gears and actuation systems for airplanes will ever come down to zero, which also goes for the equipment made for passenger jets.

Formidable client base

To-date, the shares of Heroux-Devtek on the TSX are trading at \$15.77, or 25.3% higher than the closing price on the first trading session of 2019. The stock is calmly approaching the 52-week high of \$16.75. Investors are still hesitant to place their marbles on the stock. The over-reliance on the defence sector is the deal buster.

There is fear that budget cuts by clients and ensuing scarcity of contracts could financially dislocate the company, but some analysts are bullish moving forward. U.S. President Trump publicly announced that the country's 2019 military budget is US\$681.81 billion.

The U.S. military is the prime customer for landing gears, while the U.S. Air Force is the largest aftermarket client. Heroux-Devtek is active in the commercial sector, particularly in the commercial and business jet, regional aircraft, and helicopter markets. Admittedly, the majority of the parts and services are for military aircrafts in the U.S. and Europe.

For the nine months period ended December 31, 2018, sales grew by 19.61% to \$325.9 million. The defence and commercial sectors accounted for 51.44% and 48.56% respectively. There was a 21.59% increase in net income to \$17.6 million for the same period.

Twin acquisitions to expand market presence

On the first day of October last year, Heroux-Devtek completed the acquisition of CESA. The latter is a subsidiary of Airbus SA and Europe's leading provider of fluid mechanical and electromechanical systems for the aerospace industry. This purchase instantly broadened the company's product offerings.

Prior to CESA's acquisition, Heroux-Devtek bought Beaver Aerospace & Defense Inc., a wholly-owned subsidiary of PowerTHRU Inc. It was a strategic move and a way to expand the footprint in North America with ball screws and actuation systems added to the product lines.

Healthy economic outlook

Global markets were boosted last week when news of the U.S. and China nearing a trade deal spread like wildfire. The commercial aerospace market will benefit should it happen. But even without that, the recent forecast of the International Air Transport Association (IATA) indicates healthy passenger and cargo volumes in calendar 2019.

In summary, the formidable client base, expanded market presence, and healthy economic outlook will drive the stock to new highs. Never mind if there's no dividend for as long as [price appreciation](#) is a high likelihood.

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