Retirement Investors Should Avoid These Aerospace Stocks Like the Plague

Description

Retirement investors need solid, stable stocks in defensive industries — stocks that can be bought and forgotten about, with the assurance that their respective industries will thrive in a steady and predictable manner, and preferably ones that pay a decent dividend yield. The following aerospace stocks therefore may not be suitable for an RRSP, RRIF, or other low-risk, longer-term investment strategy.

Maxar Technologies (TSX:MAXR)(NYSE:MAXR)

Up 15.37% in the last five days at the time of writing, Maxar Technologies is a high-flying stock that's more than capable of putting cash in your wallet with a fast turnaround. However the longer-term data paints a picture of a greatly undervalued stock that's been underperforming the TSX index as well as the Canadian aerospace and defence industry.

While capital goods stocks can fall prey to having unhealthy balance sheets, there's unhealthy, and then there's unhealthy: Maxar Technologies's level of debt to net worth has rocketed over the last five years from an already dangerous 74.9% to a current 490.1%. For the longer-term investor, a dividend yield of 0.86% does offer some incentive to buy, while a 125.9% expected annual growth in earnings is significantly high.

Lockheed Martin (NYSE:LMT)

An exciting stock that seems tailor made for the tech and aerospace fan, Lockheed Martin's past year earnings growth of 167% is significantly high. Turning to market ratios, while a P/E of 17.1 times earnings is acceptable, a P/B of 61 times book most certainly is not. Would you pay 61 times for what any stock is worth? A dividend yield of 2.91% is on the table, though.

An expected three-year return on equity of 100.1% is significant to say the least, though a past-year ROE of 348% is practically unheard of. Sadly, its significance is overshadowed by a poor balance sheet: to whit, Lockheed Martin's level of debt compared to net worth has shot up from 125.1% to

973.4% over the last five years.

One more space-related stock to steer clear of

While you can't buy actual SpaceX stock just yet, perhaps some indication of how it might fare can be gleaned from the share price performance of **Tesla** (NASDAQ:TSLA). The famous auto ticker would be SpaceX's sister stock — should Tesla still be listed if and when SpaceX hits the stock markets — and its performance may be a useful bellwether given that the two companies share a CEO.

However, while "speculate to accumulate" is the oft-repeated mantra of investors everywhere, Tesla's increased level of debt to net worth over the past five years (from 93.2% to the current 219%) may be taking this sentiment a bit far. Time will tell though, and with a further 52.7% expected annual growth in earnings and an expected three-year ROE of 25.2%, this auto stock may accelerate past all expectations.

The bottom line

Underperforming and overpriced, Tesla's share price is down 1.75% in the last five days. While it's no secret that its past earnings have been negative on average, the last 12 months have seen growth of 50.2%, which is significant here. Tesla's P/B of 9.4 times book is off-putting, while Maxar Technologies's P/B of 0.4 times book is conversely lower than it should be.

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2. NYSE:LMT (Lockheed Martin Corporation)
3. NYSE:MAXR (Maxar Technologies)

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