Millennials: 2 Stocks That Could Make You Rich

Description

The defence sector has proven to be one of the most reliable options for investors in recent years. Back in May, I'd pointed out that global military spending hit a record in 2018. All signs point to 2019 soaring past that record, especially as the United States has committed to huge increases in defence spending under the Trump administration.

Do not go thinking that is unique to the ruling administration in the U.S. In 2017, Canada also committed to a 70% increase in defence spending over the next decade. The defence budget is expected to rise to over $32 billion in 2026-27 compared to $18.9 billion in 2016-17.

Naturally, young investors should look to get in on this sector. Today, I want to look at two stocks that provide that opportunity.

BlackBerry

When thinking of defence stocks, **BlackBerry** (TSX:BB)(NYSE:BB) does not necessarily spring to mind. In its transition to a software-focused company, BlackBerry has cemented itself as a leader in cybersecurity. The company has secured major contracts with governments around the world, including a right to sell secure messaging tools to the U.S. government back in 2017. This demonstrates how deep the trust runs for its systems.

In late September, BlackBerry announced that it aimed to ramp up its cybersecurity research and development. It launched a new business unit called BlackBerry Advanced Technology Development Labs. This unit will focus on machine learning approaches to security in partnership with its recent acquisition, Cylance.

Shares of BlackBerry have plunged 28.2% over the past three months as of close on October 23. The company narrowed its revenue guidance in the most recent quarter, which sparked a sharp sell off. BlackBerry stock spent much of late September and October in technically oversold territory, and with an RSI of 36, the stock is still close to these levels. Those looking for exposure to cybersecurity should consider scooping up BlackBerry at its low price.

CAE

CAE (TSX:CAE)(NYSE:CAE) is a Montreal-based manufacturer of simulation technologies. One of its top segment performers is Defence and Security. It boasts lucrative contracts with the U.S. Navy, German Air Force, the Canadian Air Force, and others. CAE stock has climbed 32% in 2019 so far. Its has achieved average annual returns of 14% over the past 10 years.

The company is set to release its second-quarter fiscal 2020 results on November 13. In the first quarter, its earnings per share rose 18% year over year to $0.26. The board of directors approved an 11% dividend hike to $0.11 per share, representing a modest 1.3% yield.

Defence and Security revenue at CAE reached $268.3 million in the first quarter of FY 2020. This was up 3% from the prior year. The Defence book-to-sales ratio was 1.20 times for the last 12 months and the Defence backlog was at $3.9 billion at the end of the quarter. This was down from a $4.1 billion backlog at the end of Q1 in FY 2019.

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