



TFSA Investors: This Simulation Stock Can Make Your Retirement Very Comfortable

Description

Just take a look at these figures released by the International Civil Aviation Organisation. The number of passengers flying reached 4.2 billion in 2018 from 1.4 billion in 1997.

The International Air Transport Association predicts that this number will reach 8.2 billion by 2037, clocking in an annual compounded growth rate of 3.5%. That's a lot of passengers flying in a lot of planes operated by a lot of pilots.

However, the aviation industry expects a severe shortage of pilots. Boeing's 2018 *Pilot and Technician Outlook* report projects that commercial flights will need 635,000 new pilots and 622,000 new technicians in the next 20 years.

Welcome to **CAE Inc** ([TSX:CAE](#))([NYSE:CAE](#)), a training and simulation company in the civil aviation, defense and security, and healthcare markets.

CAE operates in over 160 locations across 35 countries. The company trains more than 220,000 civil and defence crew members, including more than 135,000 pilots and thousands of healthcare professionals worldwide annually.

CAE reported revenue of \$896.8 million for the second quarter of fiscal 2020 (year ending in March), compared with \$743.8 million in the second quarter last year. Second quarter net income came in at \$73.8 million compared to \$60.7 million last year.

The civil boom

The rise in revenues came in from the civil vertical, where revenues were up 35% year on year at \$529.9 million. Civil also signed training solutions contracts valued at \$602.9 million, including new long-term pilot training agreements with Sunwing Airlines, Loganair, and Flightworks.

CAE launched a new cadet pilot training program to train more than 700 new professional pilots over

the next 10 years for Southwest Airlines Destination 225° program.

The company also signed a long-term exclusive training agreement with easyJet to train more than 1,000 new easyJet cadet pilots on a multi-crew pilot license program.

CAE has signed an exclusive 15-year training outsourcing agreement with Directional Aviation Capital, one of the largest, fastest-growing, and most innovative corporate aviation service companies globally.

Civil drives revenues at CAE with over 57% of revenues coming in from this vertical.

The defense market

Most of CAE's clients in the defense vertical are governments, and from the looks of it, military budgets around the world [are only expected to go up](#). CAE's defense training systems integrator offers integrated live-virtual-constructive training solutions across air, naval, land and public safety.

CAE designs and delivers turnkey training centres, training services, and simulation products and capabilities for our customers.

Second quarter defense revenue for CAE came in at \$336.5 million, up 5% compared to the same quarter last year. During the quarter, defense booked orders for \$362.1 million, including the U.S. Air Force for KC-135 aircrew training services and simulator upgrades and modifications on its KC-135 training devices.

The company's main clients, both civil and defense, rely heavily on CAE to ensure that their employees are well trained. The outlook for the company for the next 20 years is encouraging, and this is a stock that will take care of its investors during their retirement.

Analysts expect company sales to grow 14% to \$3.77 billion in fiscal 2020 and 6.8% to \$4.02 billion in 2021. Comparatively, its earnings are estimated to rise by 10.6% in 2020 and 14.7% in 2021. A regular dividend yield of 1.25% adds a cherry on top of the cake that is CAE.

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