



## This Canadian Stock Is Soaring as Boeing (NYSE:BA) Deals With Problems

### Description

Boeing's ([NYSE:BA](#)) problems seem to be going from bad to worse.

The return of the company's 737 Max airplanes has been delayed several times since last year. In March 2019, Boeing's 737 Max jets were grounded worldwide after the plane's anti-stall system was blamed for two deadly crashes which occurred months apart.

As detrimental as the problems with the 737 Max have been to Boeing's stock, the stock of one Canadian company is soaring.

### CAE anticipates shortage of simulators

One of the companies that has benefited the most from the grounding of all Boeing 737 Max jets is **CAE** ([TSX:CAE](#))([NYSE:CAE](#)). The Quebec-based company, along with its subsidiaries, provides training solutions for civil aviation, defence and security, and healthcare markets worldwide.

It is the company's Civil Aviation Training Solutions segment that has profited from safety concerns with the 737 Max. This division provides flight-simulation training devices.

In early January, Boeing issued a statement: "Boeing is recommending that all 737 Max pilots undergo training in a 737 Max simulator prior to flying the aircraft in commercial service." The 737 Max cannot return to service until regulators approve software changes and training plans.

In November of 2019, just two months before the Boeing announcement, CAE confirmed that it had begun to make 737 Max full-flight simulators without customer orders in hand. Typically, the company only builds simulators after orders are placed.

CAE accurately predicted a surge in demand for pilot training and wanted to be prepared to quickly supply airlines with the simulators. These machines can cost upwards of \$20 million each.

Currently, there is a shortage of training simulators for the Boeing 737 Max. Boeing's announcement

sent airlines scrambling for the machines. The anticipation of this surge was a master stroke for CAE.

As of this writing, shares of CAE are trading at \$39.03, very near an all-time high and up significantly in the past 52 weeks from a low of \$27.12. With CAE being a leading provider of these simulators, as airlines hunt for the machines, sales should continue to rise. The [stock price should follow](#), at least in the near term.

## Meanwhile, at Boeing...

In 2017, Boeing was the Dow's best performer with a gain of 89.4%. Even in 2018, when the Dow lost ground due to a massive year-end sell-off, Boeing gained a solid 9.4%.

It wasn't until February 2019, when shares of Boeing began to tumble. Boeing stock fell from a high of \$446.01 to \$323.05, as of this writing.

Late last year, Boeing fired CEO Dennis Muilenburg for his disastrous handling of the two fatal air crashes. Muilenburg, who had been the CEO since 2015, was replaced by Boeing chairman David Calhoun.

If analysts are correct, Boeing's problems continue to mount. Analysts are expecting the company to report GAAP earnings of \$2.14 a share, down from GAAP earnings of \$5.93 a share in the fourth quarter of 2018. These analysts expect adjusted profit to plummet to \$0.35 a share from \$5.48 a share in the same period a year before.

We won't have to wait long to see if the analysts are correct. Boeing reports earnings tomorrow morning, on January 29, before the markets open.

### CATEGORY

1. Investing

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1. Editor's Choice

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1. NYSE:BA (The Boeing Company)
2. NYSE:CAE (CAE Inc.)
3. TSX:CAE (CAE Inc.)

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