



This 1 Aerospace Stock Can Fly Higher Than Air Canada (TSX:AC)

Description

Air Canada ([TSX:AC](#))(TSX:AC.B) is fresh from an incredible performance in 2019, but a repeat performance is doubtful. Another name in the airline industry, however, is off to a great start and should be one of the [exciting investment prospects](#).

With the airline industry facing some headwinds lately, aerospace and defense stock **Heroux-Devtek** ([TSX:HRX](#)) might be a better choice than Canada's flag carrier in 2020. Let's see how the future stacks up for the two stocks.

Headwinds

Air Canada is due to present its fourth quarter and full-year 2019 financial results on February 18, 2020. Last year, the company had a spectacular run, and investors were delighted by the 88.17% gain.

Also, the first-ever **TSX 30 Top Performers** came out in September. As you would expect, Air Canada was among the featured [growth stocks](#) in the new recognition program.

This year, however, the premier airline stock is down 6.28% year to date. Several factors are contributing to the sudden decline in investor interest. Lower oil prices should benefit the company, but Saudi Arabia seems bent on keeping prices up by making drastic cuts.

Similarly, heightened travel fears are bringing down demand. Analysts are forecasting an upside of almost 43% in the next 12 months. But with fewer bookings, it might be a tall order. If the headwinds persist, Air Canada might be heading to a sharp fall in 2020.

Tailwinds

Heroux-Devtek is also operating in the airline industry but is having better traction than Air Canada to start the year. This \$809.2 million provider of landing gears of planes is up 12.35% year to date. The stock's 2019 performance was not as amazing as Air Canada, although investors are happy with the

47.71% gain.

The company isn't booking flights, nor does it deal with passengers. Heroux is into the automation and landing gear of aircrafts. It also designs, manufactures, and repairs aerospace industrial components. Heroux is the third-largest landing gear company in the world, but the most profitable.

Management has been executing and integrating superbly to expand and obtain lucrative contracts. The company is supplying Airbus now after acquiring Spanish aerospace manufacturer Compañía Española de Sistemas Aeronáuticos (CESA). This largest purchase in the company's history is the door to the European market.

Last year, the agreement to supply Boeing the main landing gears for the F/A-18E/F Super Hornet and EA-18G Growler was firmed up. The five-year contract also includes the manufacture of the nose and main landing gears for the Advanced F-15 program as well as the supply of spare parts and aftermarket services.

Heroux is now the trusted supplier in both the commercial and defense sectors. About 90% of sales are in international markets, with 50% coming from the U.S. Securing the Boeing contract assures the growth of Héroux-Devtek. The annual growth rate estimate over the next five years is 22.45%.

Ready for take-off

The grounding of Air Canada is unfortunate and the stock is losing momentum. Meanwhile, Heroux-Devtek is displaying its capability to deliver quality parts and services to the world's largest aircraft manufacturers.

Hence, I see this aerospace stock flying higher than Air Canada in 2020.

CATEGORY

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2. TSX:HRX (Héroux-Devtek)

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