BUY ALERT: 2 Cheap Growth Stocks to Snag Today

Description

The **S&P/TSX Composite Index** rose 47 points on June 23. Canadian stock valuations are still high, as we head into the summer, even as troubling economic data trickles in. The slow pace of the economic reopening will make this a tough road ahead for certain sectors. Today, I want to look at two growth stocks in the aerospace and defence industries. Both have struggled due to the major headwinds in aerospace, but there is also reason for optimism as we kick off the summer.

Why these growth stocks are worth your attention

Investors should expect continued turbulence for the aerospace industry across the developed world. Governments continue to be preoccupied with containing the spread of COVID-19. While the virus is a factor on the worldwide stage, it seems unlikely that international travel will be able to rebound in any significant way. However, these growth stocks are also appealing due to their exposure to defence.

Earlier this month, I'd discussed the reports of record global military spending in 2019. Global economic turmoil has historically inflamed geopolitical tensions. Investors should expect defence spending trends to persist in this uncertain environment. ResearchAndMarkets forecasts that the global aerospace and defence markets will post a CAGR of 3.5% from 2019 through 2025.

Two stocks in defence and aerospace to snatch

CAE (TSX:CAE)(NYSE:CAE) is a Quebec-based company that provides training solutions for the civil aviation, defence and security, and healthcare markets. Its shares have dropped 33% in 2020 as of close on June 23. However, the stock has climbed 56% over the past three months.

Like its peers, CAE suffered from the impacts of the COVID-19 pandemic. However, it still put together a strong performance for the full fiscal year. Annual revenue increased 10% from the prior year to $3.6 billion. Meanwhile, annual earnings per share came in at $1.34 before specific items, compared to $1.25 before specific items in fiscal 2019. It finished the fiscal year with a $4.1 billion defence backlog.

This growth stock last possessed a favourable price-to-earnings ratio (P/E) of 19 and a price-to-book (P/B) value of 2.5. It recently suspended its dividend, but CAE is still worth targeting as we consider its strong earnings growth.

Heroux-Devtek (TSX:HRX) is another Quebec-based company that operates in the aerospace and defence space. Its stock has dropped 41% so far this year. Shares have climbed 13% month over month.

The company released its fourth-quarter and full-year results for fiscal 2020 on May 21. In Q4 2020, sales were still up 5.6% from the prior year to $166.8 million. Meanwhile, adjusted EBITDA increased to $28.6 million over $25.9 million in Q4 2019. It reported a funded backlog of $810 million. Two thirds of the Q4 backlog was comprised of defence orders. Like CAE, Heroux-Devtek will need to rely more on its defence segment to drive growth due to the struggling aerospace industry.

In the fourth quarter, defence sales grew 18.7% to $94.8 million. Defence sales increased 33% for the full year. Heroux-Devtek last had a favourable P/B value of 1.1. This growth stock will be forced to lean into defence, but this may not be all bad considering the promising performance of this sector.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)
2. TSX:CAE (CAE Inc.)
3. TSX:HRX (Héroux-Devtek)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Investing

Date
2025/08/16
Date Created
2020/06/24
Author
aocallaghan