



Bet on the Aviation Boom With This Top TSX Stock

Description

CAE ([TSX:CAE](#))([NYSE:CAE](#)) is a global organization with a focus on providing training for civil aviation, security, healthcare, and defence markets. The training solutions of this company are offered via services and products. In layman's terms, CAE provides flight simulators and other products to help train pilots and support the aviation industry.

With the economy returning to normal, the aviation space is one that many investors may be looking at. That's because compared to pre-pandemic levels, there's a lot of room to run. Additionally, there's still a tremendous amount of pent-up demand for travel. Thus, for those seeking [growth](#), there's a lot to like about how this sector is positioned.

Let's dive into why CAE could be an interesting option for those looking at this sector right now.

The setup appears positive for this top TSX stock

Though there's a lot to like about where the aviation sector is headed, CAE stock has traded at a discount of around 25% to its 52-week high of late. For a software stock like CAE, perhaps this isn't unexpected. Indeed, all growth stocks have taken a hit from this macro environment. Surging inflation and rising interest rates are generally not good catalysts for companies like CAE.

That said, expectations are that CAE's civil training business could continue to see higher utilization levels. And with the Russian invasion of Ukraine, the company's defence business is, well, highly defensive.

Overall, the positioning of CAE in this environment is solid. I think the structural setup for this company is very positive, especially when factoring in growth related to chartered private aviation, pilot turnover, and the introduction of new planes.

Another key catalyst for CAE

Recently, CAE declared that the company has concluded its acquisition of Sabre's Airline Operations portfolio (previously called AirCentre solutions) for an enterprise value of US\$392.5 million. This deal provides a valuable suite of crew and flight optimization and management solutions. This acquisition also includes the product portfolio of Sabre Airline Operations, intellectual property, transfer of talented workforce and related technology.

Marc Parent, president and CEO of CAE, looked quite pleased to welcome the employees and customers of Sabre's Airline Operations. The company had previously completed acquisitions of Merlot and RB Group, amid an ongoing technological transformation. Overall, investors appear to expect that this deal could expand CAE's reach into digitally enabled flight crew optimization — something that creates yet another revenue stream for investors.

Bottom line

Overall, CAE's cash flow profile remains strong, as does its fundamentals and earnings. Over the long term, those bullish on the aviation space ought to like how CAE is positioned. This company has cornered a very niche business and appears to be well positioned for growth.

That's not to say this stock isn't without risk. Far from it. CAE is in a highly secular industry that's prone to downturns.

However, those thinking long term may want to consider CAE stock on this dip.

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