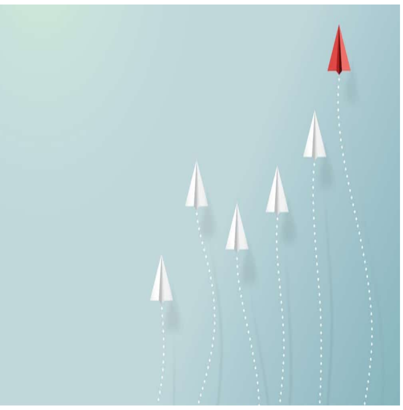

Market Mover: CAE Stock Jumped 14% Last Month

Description

The **TSX** today is still down for quite a few stocks, if we look at the bear facts. However, there are a few stocks out there that have shown massive improvement in the last month. One of those stocks is **CAE** (TSX:CAE).

CAE stock climbed 14% in January, though the defence company is still down about 7.5% in the last year. So, is this the next stock that could bounce back to pre-fall heights? Or, are we about to do another dip?

What happened?

So what exactly has been going on in the last month that investors should know about? CAE stock began its climb at the beginning of last month on news the federal government would award the company a contract it would split with a British company worth $1.2 billion. This would support the production of CH-149 Cormorant helicopters for search and rescue missions.

While at the outset shares dropped, since then they've been steadily climbing higher. Undoubtedly, many investors are looking at past earnings reports for clues as to why they should invest in the company.

In that case, CAE stock did quite well during its latest earnings report, and is due for another quite soon. Flight simulator demand remains strong, with the company seeing shares pop 20% after earnings were released three months back. So let's look at what investors should be looking for.

Strong earnings

CAE stock posted quarterly revenue and profit above analyst estimates during its earnings report in November. But it wasn't just flight simulators driving the growth. It also included growth from its civil aviation unit, where a 40% increase in demand for airplane makers and carriers led to share growth as well.

The outlook remains high for the company, which posted revenue of $993.2 million for the second quarter of 2023. CAE now believes it will deliver 45 full flight simulators for this fiscal year, up from 40 during its previous forecast.

Flight demand certainly isn't going anywhere, as we've heard, and defensive and civil spending will likely continue to support CAE stock. Yet, a recession hasn't arrived yet, so what should investors do now?

Steady growth

CAE stock has been doing quite well, and given that it's been growing thanks to increasing demand both privately and through the federal government, this should continue. But "should" is the operative word here. Demand may lag for aviation projects should travel drop once more. This could come with a recession, during which the world may start travelling locally rather than around the world to save cash.

Rising interest rates and inflation are also something for CAE stock to battle. Higher costs could be an issue that will be unsupported by demand. Yet management, to be clear, does not think this will be the case.

Whether they're right or not, it *is* clear that CAE stock is a strong long-term choice. Shares are up 211% in the last decade alone, a compound annual growth rate (CAGR) of about 12% as of writing. While it doesn't trade in value territory, those that believe demand for the flight simulator will remain strong should definitely consider it a hold for the next several years.

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